

January 2, 1973

Dear Mr. Chairman:

I want to inform January 2, 1973
Finance that I have familiarized myself
with the text of the Conflicts of
Interests Statutes Directed to Officers
and Employers of the Treasury Department.

Dear Al:

I am satisfied that I have complied
It is most unusual to respond to a letter
twice. However, in rereading your warm and
thoughtful letter to me I believe it deserves
my personal thanks for your good wishes.

(s) William E. Simon

It means a great deal to me to know
that I have the confidence and support of
people like yourself as I begin my new
responsibilities.

Look forward to seeing you soon.

The Honorable Sincerely,
Russell B. Long
Chairman

Senate Committee (s) Bill
2227 New Senate Office Building
Washington, D.C.

William E. Simon
Deputy Secretary Designate

Mr. Alan N. Weeden
President
Weeden & Co.
25 Broad Street
New York, New York 10004

January 2, 1973

January 2, 1973

Dear Mr. Chairman:

I want to inform the Committee on Finance that I have familiarized myself with the text of the Conflicts of Interests Statutes Directed to Officers and Employers of the Treasury Department.

I am satisfied that I have complied with those statutes. I appreciate your invitation for testimony on February 6 but, unfortunately, commitments here in Washington will prevent my attendance.

Sincerely yours,

(s) William E. Simon

My best to you for the New Year.

William E. Simon
Deputy Secretary Designate

The Honorable
Russell B. Long
Chairman
Senate Committee on Finance
2227 New Senate Office Building
Washington, D.C. 20510

Chairman of the Board
First National Bank in St. Louis
Broadway, Locust, Olive, Sixth
St. Louis, Mo. 63166

William E. Simon

Deputy Secretary Designate

Outgoing Letters: (1973 (Ten.))

January 2, 1973

Dear Ted:

Thank you for your letter of December 21 regarding the ABA Mid-Winter Trust Conference.

I very much appreciate your invitation for cocktails on February 6 but, unfortunately, commitments here in Washington will prevent my attendance.

My best to you for the New Year.

Sincerely,

(s) Bill

William E. Simon
Deputy Secretary Designate

Mr. James W. Haygood
2145 Two Shell Place
Houston, Texas 77002

Mr. Edwin S. Jones
Chairman of the Board
First National Bank in St. Louis
Broadway, Locust, Olive, Sixth
St. Louis, Mo. 63166

1 Hous. (1973 (Jan.))

January 2, 1973

Dear Jim:

Many thanks for your thoughtful letter of December 14, and for passing along the name of Joyce Sargent and the real estate firm.

Am glad you and Marion liked the tree. We just wanted you to know we were thinking of you during the holidays.

Carol joins me in sending our best to you and Marion for the new year.

Sincerely,

(s) Bill

William E. Simon
Deputy Secretary Designate

Mr. James W. Hargrove
2145 Two Shell Plaza
Houston, Texas 77002

January 2, 1973

Dear Sam:

Thanks so much for your warm and thoughtful letter of December 27. I, too, am sorry we missed each other while you were in New York last month.

I appreciate your kind gesture in sending me best wishes for success in my new capacity. You may be certain that I am proud to be part of the Nixon team, and I am happy to have your confidence and support.

With best wishes to you for the New Year.

Sincerely,

(e) Bill

William E. Simon
Deputy Secretary Designate

Mr. Samuel B. Stare
Senior Vice President
Union Bank
Fifth & Figueroa Streets
Los Angeles, Calif. 90054

January 3, 1973

Dear Mr. Ambassador:

I would like to thank you sincerely for your generous offers of assistance to me in my new capacity. I enjoyed our all too brief visit last month.

In particular, I want to express my appreciation to you for allowing Mary Harris to join me and for recommending Don Webster to assist me over these first crucial months. Don is already aboard and the arrangement is working fine.

I understand you will be leaving on Friday of this week to return to Brussels and I did want to express my appreciation to you before you left the States.

My best wishes to you and Mrs. Kennedy for the New Year.

Sincerely yours,

(e) Bill

William E. Simon
Deputy Secretary Designate

The Honorable
David M. Kennedy
Ambassador at Large
Department of State
Washington, D.C. 20520

January 3, 1973

Dear John:

Thank you very much for your letter of December 29 and the generous comments contained therein. It arrived at a most appropriate time and adds greatly to the spirit of the Season. It is good to know that I have your confidence and support as I begin my new responsibilities.

I would love to get together with you and Dick Gould. This week and next are pretty hectic because they have me hopping prior to my Senate confirmation to make all my duty calls, so perhaps we can postpone it until after my hearings. I'll look forward to hearing from you.

Thanks again for your kind thoughts. My best to you for the New Year.

Sincerely,

(s) Bill

William E. Simon
Deputy Secretary Designate

Mr. John MacKinnon
United States Postal Service
Washington, D.C. 20260

January 4, 1973

Dear Mr. Cohen:

It was very kind of you to write and extend congratulations to me on my nomination as Deputy Secretary of the Treasury, and I appreciate your thoughtfulness.

As a former Commissioner of Internal Revenue you can appreciate the many problems that face the Department, and it is for this reason that I sincerely thank you for your generous offer of assistance.

With all good wishes for the New Year.

Sincerely yours,

(c) William E. Simon

William E. Simon
Deputy Secretary Designate

Honorable Sheldon S. Cohen
Cohen and Uretz
1730 M Street, N.W.
Washington, D.C. 20036

January 4, 1973

Dear Bob:

Little did I know yesterday that I was speaking to the new President of Morgan Stanley. I cannot tell you how happy I am for you for this well deserved recognition of your great abilities.

I look forward to seeing you often -- both at home and here in Washington.

Again, my very best wishes for your continued success and happiness.

Sincerely,

(e) Bill

William E. Simon
Deputy Secretary Designate

Mr. Robert H. B. Baldwin
President
Morgan Stanley and Company
140 Broadway
New York, New York

P.S. Please don't forget to send me one of your good men.

January 8, 1973

Dear John:

It was very thoughtful of you to write me regarding my nomination as Deputy Secretary of the Treasury, and I appreciate your kind words. East Hampton, at the moment, seems very remote!

Thanks for your offer of assistance. As I look down the road, I welcome the thought that I can draw on old acquaintances and friendships in my new capacity.

With appreciation for your kind sentiments.

Sincerely,

(s) Bill

William E. Simon
Deputy Secretary Designate

Mr. John A. LaGrua
Senior Vice President
UBS-DB Corporation
40 Wall Street
New York, N.Y. 10005

January 9, 1973

Dear Tom:

Enclosed is a letter from my attorney, Howard G. Wachenfeld, which provides his opinion that my financial arrangements are not in violation of the federal conflict of interest laws, including Executive Order No. 11222.

It was good to have you to lunch last week and I look forward to seeing you soon.

Sincerely yours,

(Signed) Bill

William E. Simon
Deputy Secretary-Designate

Mr. Tom Vail
Chief Counsel
Senate Finance Committee
Washington, D. C. 20510

Enclosure

bcc: Roy Englert

January 11, 1973

Dear Senator Byrd:

In light of our conversation last week on debt financing, you will be interested to know that during the remainder of the current quarter of calendar 1973 Treasury financing will total approximately \$9.4 billion, exclusive of roll-overs of regular bills. Of this amount, \$4.6 billion will be generated in new marketable securities of various types issued depending on the state of the market. The remaining \$4.8 billion will consist of roll-overs of maturing coupon issues.

As you know, on January 4 we sold \$627 million of 20-year bonds. In addition, we have also added \$500 to regular bills thus far in January. In the second quarter, our forecast shows that cash receipts will exceed expenditures in the period after April 15.

Your questions suggested some additional thoughts on my part which have been set down in the attached memorandum. I hope it will be useful to you, and that you will feel free to get in touch with me if I can be of additional assistance.

Sincerely yours,

(Signed) William E. Simon

William E. Simon
Deputy Secretary (Designate)

Honorable
Harry F. Byrd, Jr.
U. S. Senate
Washington, D. C. 20510

Attachment



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

Pers - Roob

January 12, 1973

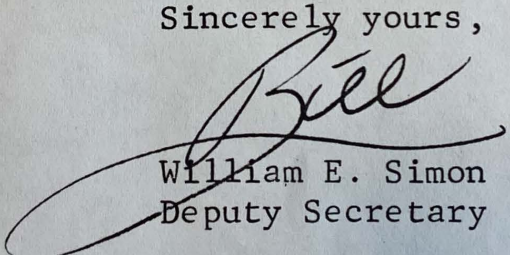
Dear Ed:

I checked into whether or not we could give John Kuhajek a facsimile of a Treasury bill and found, as anticipated, that we could not do it. Both the Secret Service and the Bureau of Public Debt have a number of valid objections.

As you suggested, I have asked that a letter be prepared to Mr. Kuhajek, and he should be hearing from us shortly. I believe that the letter will be signed by Deputy Secretary Charls E. Walker.

I am sorry we could not provide the facsimile, but I hope this will help to some extent.

Sincerely yours,


William E. Simon

Deputy Secretary (Designate)

Mr. Edward M. Roob
Vice President
Government Bonds
The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

January 15, 1973

Dear Mr. Perry:

Thank you for your letter of January 3 inviting Mrs. Simon and me to attend the reception which your Association is hosting jointly with the Illinois Bankers Association on Tuesday evening, January 30.

The Treasury will be having its February 1973 refinancing during the period January 30-February 1 and a reception and dinner with the SIA on the first day is a long standing event. I have already committed myself to attend that dinner, but, if at all possible I would like to ~~stop~~ stop by for a drink and visit with you before proceeding to dinner.

With kind regards.

Sincerely yours,

(Signed) William E. Simon

William E. Simon
Deputy Secretary Designate

Mr. Robert M. Perry
Executive Manager
Michigan Bankers Association
610 W. Ottawa
Lansing, Michigan 48933

WILLIAM E. SIMON
SAND SPRING ROAD
NEW VERNON, NEW JERSEY 07076

January 16, 1973

Mr. William R. Salomon
Managing Partner
Salomon Brothers
1 New York Plaza
New York, New York 10004

Dear Bill:

As you know, I was confirmed today by the United States Senate as Deputy Secretary of the Treasury.

Accordingly, I hereby resign as a General Partner and Member of the Executive Committee of Salomon Brothers; a Trustee of the Salomon Brothers Profit Sharing Plan; a member, Director and Secretary of the Salomon Brothers Foundation, Inc.; a Director of Salomon Brothers International Inc.; and a Director of Salomon Brothers Limited.

Pursuant to our agreement of December 7, 1972, would you please issue a check on January 24, 1973 payable to the Morgan Guaranty Trust Company of New York, as Trustee for William E. Simon, for the full amount of my interest in the firm and deliver it to Mr. Martin F. Shea at the Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York, 5th Floor.

Sincerely,

(Signed) William E. Simon

William E. Simon

WES:baj

FEA- Cong

January 2, 1974

Dear Hank:

Thanks so much for your kind note of congratulations.

I am very proud to be able to contribute toward the resolution of our energy problems, but I am equally proud of the widespread public response to our requests for voluntary reductions in energy consumption.

Once again, thanks for your good wishes, and may you and Sonja enjoy a wonderful holiday season.

Sincerely,

/s/ Bill Simon

William E. Simon

Mr. Hank Jurrissen
Millbrook Road
New Vernon, New Jersey

January 2, 1974

Dear Franny:

If the energy crisis doesn't improve, Izod is going to have to start making more long-sleeve shirts. As a matter of fact, you might consider going into the thermal underwear business.

It was great to hear from you, and I really hope Carol and I can see you soon.

In accordance with your request, I am hereby designating you "Honorary Energy Czar" and am giving you total responsibility for all energy problems in the southeastern sector of Spring Lake.

Please keep in touch.

Sincerely,

/s/ Bill

William E. Simon

Ms. Francis K. Erbe
Izod, Ltd.
498 Seventh Avenue
New York, New York 10018

M

January 2, 1974

Dear Bruce and Ginny:

As you know, I have had little time recently for quiet reflection, but your letter, which contained an ambivalent note of hope and despair, prompted me to fit this year's events into an historical perspective. My conclusion is that your scenario deserves a more optimistic bias.

I am constantly fascinated by the ability of the American people to withstand adversity and to respond positively to challenge. The profound public response to requests for voluntary energy conservation has reaffirmed this belief. This predictable reaction is suggestive of the fundamental American spirit -- to mobilize in times of crisis.

It is interesting to note that during periods of general prosperity, it is the diversity and dissent of the American people which attract attention both at home and abroad. Yet, during times of severe uncertainty, like the present, the international community looks to the United States for comfort and leadership, as children to parents. The sudden strengthening of the dollar recently in relation to other hard currencies underscores this thought.

It is true that American leadership has been bombarded this year with domestic and international criticism. Yet, basic American institutions have emerged unscathed. There has not been panic or revolution -- only sadness among Americans that certain leaders have breached the public trust. Clearly, we cannot afford to permit that trust to be weakened further. Our ability as a nation to withstand the trauma that may flow from a profound energy crisis depends upon the nurturing of the public's confidence in its leaders. Another country may not have been able to survive peacefully the humbling of its leaders. But based on the historical American response to adversity, I have every reason to

- 2 -

believe we will not only survive but gain strength from this experience.

I pray that the events of 1974 will support our mutual faith in the American Experiment.

Sincerely,

od Bless you both
a Very Happy New Year

/s/ Bill

William E. Simon

M. Bruce and Ginny MacLaury
250 Marquette Avenue
Minneapolis, Minnesota 55480

Canada

January 2, 1974

Dear Mr. Minister:

I am very pleased about your willingness to participate in an Energy Action Group. You quite obviously agree with Dr. Kissinger and me that it will require vision and cooperation to solve the many problems arising from the current energy crisis. Clearly, the scope of our energy problems transcends national borders. Solutions must be found which protect the monetary and economic stability of net importers and net exporters of energy resources.

One way to assure a stable future is to engage actively in a program of energy-related research and development, as you suggest. I look forward to our joint effort in this and other areas and am confident that it will yield beneficial results.

Sincerely,

/s/ William E. Simon

William E. Simon

The Honorable
J.R. McKinney
Canadian Embassy
Washington, D.C. 20036

January 2, 1974

FEA - Cong

Dear Ben,

Thanks so much for your note of congratulations on my new appointment. I fully agree with you concerning the need to educate the public about the gravity of our energy problem. For this reason, I have been holding frequent press conferences and interviews, and issuing releases about the current status of the energy crisis.

Although this effort has been successful to some extent, I intend to continue a mass education program so that Americans will appreciate the reasons behind the requests for energy conservation. The large favorable response to the policies implemented so far has been truly heartwarming.

I appreciate your offer to help in the communication areas. We may need to call upon you for your advice.

Best wishes for a wonderful holiday season.

Sincerely,

/s/ Bill

William E. Simon

It was nifty being with you
and Monique on New Year's Eve.
Don't spend the \$3.00 it is just
a loan!

Mr. Benjamin F. Leaman,
President
Housing Industry Dynamics, Inc.
Birchrunville, Pennsylvania 19421

January 2, 1974

FEA - Congrats

Dear Ed:

I want you to know it was really heartwarming to hear from you. I appreciate your confidence in my ability to handle the myriad problems represented by this new assignment.

As you know, I have always been deeply involved in the problems facing New England, and this will prove no exception. I have already met with representatives of the New England Fuel Institute and I am working hard to protect the residence of New England as well as all other Americans from severe fuel shortages this winter.

I'm sure we will be working together often in the near future. Thanks again for your kind thoughts and offer to help in this difficult period.

Sincerely,

/s/ Bill

William E. Simon

The Honorable
Edward W. Brooke
United States Senate
Washington, D. C. 20510

January 2, 1974

FEA-Cong.

Dear Mr. Brennan:

I hope you will convey my appreciation to Congressman Pepper for giving me a preview of H. R. Bill 12045. Please tell him that I am looking forward to working with him during the next session of Congress and that I am very grateful for his offer to help me through this task.

Sincerely,

Very Happy
w Year

/s/ Bill

William E. Simon

Mr. James A. Brennan
House of Representatives
Washington, D. C. 20515

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OFFICE OF
CENTRAL SERVICES
ROOM 2049-C, M.T. BLDG.

MR. GEORGE BURLESON
1614 MARTIN AVENUE
SUNNYVALE, CALIFORNIA 94087

DEAR MR. BURLESON:

THIS IS TO CONFIRM OUR RECENT VERBAL UNDERSTANDING
THAT YOU WILL BE APPOINTED AS A MEMBER OF THE ADVISORY
COMMITTEE OF THE PETROLEUM ADMINISTRATIVE DISTRICT V.
THE COMMITTEE MEETINGS ARE UNSCHEDULED AND ARE CALLED
WHEN NECESSARY. YOU WILL BE INFORMED BY LETTER OF THE
DATE OF THE NEXT MEETING BY MR. DUKE LIGON.

I LOOK FORWARD TO WORKING WITH YOU AND I AM CONFIDENT
YOU WILL MAKE A VALUABLE CONTRIBUTION.

SINCERELY,

151 William E. Simon

WILLIAM E. SIMON
DEPUTY SECRETARY
OF THE TREASURY

OS:AArsht:skj 1/3/74

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Alan Arsht
Special Assistant to the Deputy Sec. 8286

Jan. 3, 1974 5

FEB
January 4, 1974

Dear Bob:

I had considered the idea of America on horseback, but the environmentalists convinced me that the idea was unsound.

Thanks for your very warm wishes. Have a wonderful holiday season and let me hear from you again soon.

Sincerely,

/s/ Bill

William E. Simon

Mr. Robert J. Collins
Vice President
Halsey, Stuart & Company, Inc.
30 Broad Street
New York, New York 10004

Feb. 11
2

George:

I have attached two papers which should give you a good picture of what we have in mind for the Energy Action Group meeting which the President has called for February 11 in Washington.

One paper is a briefing I will use today at my press conference with Kissinger; the other is a classified summary of what we think the agenda of that meeting should look like.

Bill Simon

William E. Simon, Administrator
Federal Energy Office
Department of the Treasury
Washington, D.C.

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1/4/74

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Mr. Richard Waller

964-8711

BERNARD J. CLARKE, PRESIDENT
THE COLUMBIA GAS SYSTEM, INC.
20 MONTCHANIN ROAD
WILMINGTON, DELAWARE 19807

E. SHEFFIELD NELSON, PRESIDENT
ARKANSAS-LOUISIANA GAS COMPANY
FLATERY BUILDING
SHREVEPORT, LOUISIANA 71102

J. P. BONNER, PRESIDENT
PACIFIC GAS AND ELECTRIC COMPANY
245 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94106

HARRY P. LETTON, JR., PRESIDENT
SOUTHERN CALIFORNIA GAS COMPANY
810 SOUTHERFLOWER STREET
LOS ANGELES, CALIFORNIA 90017

W. L. LEE, PRESIDENT
ATLANTA GAS LIGHT COMPANY
235 PEACH TREE STREET, N.E.
ATLANTA, GEORGIA 30302

C. J. GAUTHIER, PRESIDENT
NORTHERN ILLINOIS GAS COMPANY
EAST WEST TOLLWAY AT ROUTE 59
P.O. BOX 190
AURORA, ILLINOIS 60507

GEORGE L. MORROW, PRESIDENT
THE PEOPLES GAS, LIGHT AND COKE COMPANY
122 SOUTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60603

Sent 1/4 3 pm

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William E. Simon, Administrator
Federal Energy Office
Department of the Treasury
Washington, D.C.

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1/4/74

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Mr. Richard Waller

964-8711

CARL D. REES, PRESIDENT
NORTHERN INDIANA PUBLIC SERVICE COMPANY
5265 HOHMAN AVENUE
HAMMOND, INDIANA 46320

A. H. AYMOND, PRESIDENT
CONSUMERS POWER COMPANY
212 WEST MICHIGAN AVENUE
JACKSON, MICHIGAN 49201

HUGH C. DALY, PRESIDENT
MICHIGAN CONSOLIDATED GAS COMPANY
1 WOODWARD AVENUE
DETROIT, MICHIGAN 48226

S. E. McMURRAY, PRESIDENT
THE PEOPLES NATURAL GAS COMPANY
2 GATEWAY CENTER
PITTSBURGH, PENNSYLVANIA 15222

BURTON P. SMITH, PRESIDENT
PIONEER NATURAL GAS COMPANY
P.O. BOX 511
AMARILLO, TEXAS 79163

W. C. McCORD, PRESIDENT
LONE STAR GAS COMPANY
301 S. HARWOOD STREET
DALLAS, TEXAS 75201

JACKSON C. HINDS, PRESIDENT
UNITED GAS, INC.
UNITED GAS BUILDING
1200 MILAM STREET
HOUSTON, TEXAS 77002

William E. Simon, Administrator
Federal Energy Office
Department of the Treasury
Washington, D.C.

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1/4/74

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Mr. Richard Waller

964-8711

B. Z. KASTLER, PRESIDENT
MONTAIN FUEL SUPPLY COMPANY
180 EAST 1ST STREET
SALT LAKE CITY, UTAH 84111

GORDON C. GRISWOLD, PRESIDENT
THE BROOKLYN UNION GAS COMPANY
195 MONTAQUE STREET
BROOKLYN, N.Y. 11201

L. R. REIF, PRESIDENT
IROQUOIS GAS CORPORATION
10 LAFAYETTE SQUARE
BUFFALO, N.Y. 14203

B. JOHN YEAGER, PRESIDENT
THE CINCINNATI GAS AND ELECTRIC COMPANY
139 EAST 4TH STREET
CINCINNATI, OHIO 45201

G. J. TANKERSLEE, PRESIDENT
EAST OHIO GAS COMPANY
EAST OHIO BUILDING
1717 EAST 9TH STREET
CLEVELAND, OHIO 44114

W. E. HUMPHREY, PRESIDENT
OKLAHOMA NATURAL GAS COMPANY
BOX 871
TULSA, OKLAHOMA 74119

J. T. DUGGON, PRESIDENT
THE GAS SERVICE COMPANY
700 SCARRITT BUILDING
KANSAS CITY, MISSOURI 64106

William E. Simon, Administrator
Federal Energy Office
Department of the Treasury
Washington, D.C.

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1/4/74

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Mr. Richard Waller

964-8711

L. M. LIBERMAN, PRESIDENT
LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101

JACK C. OSBORNE, PRESIDENT
PEOPLE NATURAL GAS
2223 DODGE STREET
OMAHA, NEBRASKA 68102

ROBERT I. SMITH, PRESIDENT
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
80 PARK PLACE
NEWARK, N.J. 07101

N. P. CHESTNUT, PRESIDENT
SOUTHERN UNION GAS COMPANY
FIDELITY UNION TOWER
DALLAS, TEXAS 75201

PAUL E. REICHARDT, PRESIDENT
WASHINGTON GAS AND LIGHT COMPANY
1100 H STREET, N.W.
WASHINGTON, D.C. 20005

ROBERT M. HOFFER, PRESIDENT
WISCONSIN GAS COMPANY
626 EAST WISCONSIN AVENUE
MILWAUKEE, WISCONSIN 53201

THE FEDERAL ENERGY OFFICE HAS INITIATED SEVERAL INTERIM MEASURES TO
HELP OFFSET THE FUEL SHORTAGES THIS WINTER AND THE IMMEDIATE PERIOD
THEREAFTER. RECOGNIZING THAT THESE STEPS MAY NOT BE ADEQUATE TO

William E. Simon, Administrator
Federal Energy Office
DEPARTMENT of the Treasury
Washington, D.C.

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1/4/74

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Mr. Richard Waller

964-8711

FULLY ACCOMMODATE CONTINUING SHORTAGES EXPECTED TO EXTEND WELL INTO THE NEXT DECADE, WE ARE CONSIDERING OTHER, MORE STRINGENT MEASURES WHICH MAY BECOME NECESSARY.

IN VIEW OF THE KEY POSITION OCCUPIED BY THE PUBLIC UTILITIES IN ENERGY CONSERVATION, IT IS IMPORTANT THAT WE DEVELOP CLOSE COMMUNICATIONS. IN THIS REGARD, I WOULD LIKE TO MEET WITH YOU AND OTHER GAS UTILITY EXECUTIVES NEXT WEEK TO DISCUSS THE OVERALL PROBLEM, ACTIONS WE HAVE TAKEN, AND TO SEEK YOUR ADVICE ON FURTHER ACTIONS WHICH MAY BE NECESSARY. I AM ESPECIALLY INTERESTED IN KNOWING WHAT PROGRAMS YOU HAVE IMPLEMENTED TO REDUCE CONSUMER ENERGY USEAGE, TO DISCOURAGE HOUSEHOLD SHIFTS FROM HEATING OIL TO GAS, AND TO MAINTAIN ADEQUATE SUPPLIES TO INDUSTRIAL CONSUMERS.

THE MEETING WILL BE HELD ON JANUARY 11, 1973, FROM 9:00 TO 11:00 A.M. IN ROOM 4121 OF THE MAIN TREASURY BUILDING, 15TH AND PENNSYLVANIA AVENUE, WASHINGTON, D.C. PARTICIPATION WILL BE LIMITED TO YOURSELF OR YOUR DESIGNATED ALTERNATE. IF FURTHER INFORMATION IS DESIRED, PLEASE CONTACT

William E. Simon, Administrator
Federal Energy Office
Department of the Treasury
Washington, D.C.

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UNCLASSIFIED

TFEC

1/4/74

XX

Mr. Richard Waller

964-8711

MR. RICHARD WALLER AT (202) 964-8711.

WILLIAM E. SIMON, ADMINISTRATOR
FEDERAL ENERGY OFFICE

UNCLASSIFIED

FEA- Congrats

January 4, 1974

Dear Tom:

Thanks for your very warm wishes about my new assignment. With a few good bounces, I think we'll come out fine.

By the way, when you write again, which I hope is soon, use Latin -- I need the practice.

Sincerely,

/s/ Bill

William E. Simon

Mr. Tom Leary
Office of the General Counsel
Antitrust Section
General Motors Corporation
General Motors Building
Detroit, Michigan 48202

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January 4, 1974

Dear Hank:

Your opportunity with Goldman, Sachs and Co. is really great news and an important step forward for you. I wish you the best of luck.

It has been a pleasure to work with you in the domestic policy area and I am convinced that your contribution to Goldman, Sachs will be equally significant.

Sincerely,

/s/ Bill

William E. Simon

Mr. Henry M. Paulson, Jr.
Box 66
Great Falls, Virginia 22066

Dear John:

Thanks for the copy of your remarks at the SIA Convention.

I'll let you know about the Capital Markets Board immediately after I solve the energy crisis.

Please keep in touch and have a wonderful holiday season.

Sincerely,

/s/ Bill

William E. Simon

Mr. John C. Whitehead
Chairman of the Governing Council
Securities Industry Association
20 Broad Street
New York, New York 10005

January 4, 1974

Dear Ace:

I really appreciate the help you are giving me. It is increasingly apparent that we will have to obtain an understanding with the Arabs which will minimize the world monetary disruption caused by movement of their excess reserves. Please keep me informed of their activities.

This week I sent letters to nine hundred mayors requesting their active support of our energy conservation program. Early indications suggest that we will receive whole-hearted cooperation.

Thanks for your very warm wishes about my new assignment. Carol and I look forward to seeing Joy and you soon. Hope you had a wonderful holiday season.

Sincerely,

/s/ Bill

William E. Simon

Mr. Adrian C. Israel
President
ACLI International
110 Wall Street
New York, New York 10005

January 4, 1974

FEA-10

Dear Dick:

I couldn't agree with you more. Please send me a list of recommended candidates for this assignment and I will choose one immediately. Clearly, your Department's expertise is badly needed at this time.

Let's discuss our areas of mutual concern in the near future.

Sincerely,

/s/ Bill

William E. Simon

The Honorable
Richard Schubert
Under Secretary of Labor
U.S. Department of Labor
Washington, D. C. 20210

By the time you get this letter we will already have met!

OS:AArsht:skj 1/2/74

January 4, 1974

Dear Mr. Erwin:

Thank you for your kind note of congratulations. As you know, the policies which I have implemented are aimed at resolving our energy crisis without the need to resort to rationing. So far, the public response to requests for voluntary conservation has been quite good. We are doing all we can to assure an equitable distribution of available energy supplies to all Americans. Our next and more difficult step is to increase our domestic energy supplies to a level at which we are self-sufficient in energy resources. If we can achieve that goal, we will not be vulnerable to the pressures of oil-exporting nations.

Thanks again for your expression of concern, which I deeply share.

Sincerely,

/s/ Bill Simon

William E. Simon

Mr. Ralph J. Erwin
Box 1982
Laredo, Texas 78040

OS:AARSht:skj 1/2/74

January 4, 1974

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Dear Tom:

As hectic as the trading desk was, I don't believe it rivalled my present pace. The problems underlying the current energy crisis are too complex for easy resolution, but I am optimistic about the outcome.

I am very interested in the emission and mileage characteristics of the engine you describe. If you would like you may send the information relating to the engine to Dr. John Gibbons, who is the Director of the Office of Energy Conservation in the Department of the Interior. I have advised Dr. Gibbons about this matter. If there is any question about the protection of patent rights or other proprietary information, you should have the Embassy forward the technical information to Dr. Gibbons. Mr. Robert Brand, Director for Economic Affairs at the Embassy in London will contact you and provide any assistance that is necessary.

Thanks very much for your warm wishes about my new assignment. Please keep in touch.

Sincerely,

/s/ Bill

William E. Simon

Mr. Tom Harvey
15 Moorgate
EC2R 6AN.

OS:AARSht:skj 1/2/74

JAN - 7 1974

Dear Mr. Seiberling:

Thank you for your kind letter concerning my comments on your amendment to the surface mining bill providing for a reclamation fee of \$2.50 per ton of coal mined. I appreciate very much your taking the time to comment on my letter.

My assessment of the implications of such a fee was influenced by its impact both on the economy and reclamation. A \$2.50 fee on every ton of coal that is mined will increase the cost of coal by a like amount. I believe that reclamation costs should be considered a cost of doing business. The National Petroleum Council's U.S. Energy Outlook - Coal Availability notes that, although surface mining reclamation costs may exceed \$1.00 per ton under certain conditions, the reclamation cost actually used in their model for the U.S. average is projected to grow from two cents per ton in 1970 to 34 cents per ton in 1985 (in constant 1970 dollars). Therefore, the reclamation increment of \$1.00 that is built into the \$2.50 fee would seem to be too high.

The NPC also notes that, in 1970, there were about 5,600 producing coal mines. About 4,000 of these mines produced under 50,000 tons per year each or approximately 10 percent of total production. In all probability, these are economically marginal mines and a fee of up to \$125,000 per year could create severe economic hardships from which many might not recover. Even the largest capacity mines, 307 producing over 500,000 tons per year each or 60% of the total production, would pay a fee of over \$1,250,000 each year.

As you point out, the amendment does provide for mine operators to obtain credit against this fee for certain expenses, however these expenses, if required by the legislation, should be included in the cost of doing business. Because some of the expenses will not be associated with certain mines, credit will not be allowed and the fee will then become an added cost of production.

The purpose, as you mention, is to enable the deep coal mining industry to compete effectively with the surface coal mining industry. I suspect that a major portion of the fee will not be used as a credit by the underground mines. The bill as passed by the Senate, for example, calls for stowage of mine wastes in mines opened after the date of the Act where physically, economically, and technologically possible. The National Coal Association informs me that, technologically and physically, very few, if any, of the new mines will be able to do this for some time primarily because mine voids will not occur for some time and, even then, mines in Europe that have attempted to do this have found it very difficult to move physically the waste into the mine while coal was being moved out. Most important, however, the mines operating on the date of the Act are not required to back stow and, therefore, probably will not use the credit, even though they pay the full \$2.50 fee per ton of coal mined.

Likewise, the provision of your amendment allowing a credit against the fee for equipment required by the Coal Mine Health and Safety Act of 1969, as amended, will not be taken, to a large extent, by existing mines. The operating mines have already installed required equipment. Even for new mines, the equipment is a relatively minor cost of the Health and Safety Act. As I understand it, the major cost increases required by this Act are associated with reductions in production, and would not be allowed under your amendment.

I am not acquainted with the Black Lung Disease Program but, as you have pointed out, any credit would apply to the underground operators. Even so, the increment estimated for the reclamation credit against the \$2.50 fee is too high for the national average.

In summary, then, I believe that the fee amendment would undo the cost advantage of surface mining. We should let each type of mining bear its own costs. If the premise is correct, that we should make underground mining more competitive with surface mining, it might be better to apply subsidy or other form of economic support to the underground mines.

The economics of mining have always influenced heavily which deposits will be mined first and the mining methods that will be used. The industry is engaged now in considerable research and development in new underground techniques that will increase productivity. The mining of less expensive surface deposits now will give us the necessary lead time to develop the technology for mining deeper deposits.

Although not mentioned thus far, we are attempting to encourage the oil burning power plants to switch to coal in order to alleviate the current crisis stemming from curtailed oil imports. An additional mining cost for coal at this time would run counter to this effort. Tentative estimates show that the total potential plant convertibility to coal will exceed the industry's capability of producing coal this next year. Therefore, any disincentive to coal production would not be desirable at this time.

I might also mention that there is much confusion about coal resource and reserve estimates. The 1,500 billion tons estimated by the Interior Department are "resource figures." The 45 billion tons of coal that can be mined are "recoverable reserves." A general breakdown of the Interior estimates would be as follows:

3,224 billion tons of total coal resources

1,581 billion tons of identified resources
(a reasonable assurance that this
quantity does in fact exist)

400 billion tons of underground mineable
reserves (can be identified as mineable
under present economics and technology)

56 billion tons of surface mineable
reserves

Only 50% of the 400 billion tons of underground mineable reserves are recoverable. About 80% of the surface mineable reserves are recoverable. Therefore, at present, 18 percent of the Nation's recoverable reserves of coal can be mined by surface methods.

The impact of the \$2.50 fee is a very complex subject. It is my policy to cooperate fully with Members of Congress and I believe it would be useful if members of your staff, or the committee staff, could meet with my staff on this and related issues. To this end, allow me to volunteer the services of my expert on coal, Mr. Douglas McCullough. His number is WO4-8711.

Please let me know if there is anything else I can do.

Sincerely,

(Signed) William E. Simon

William E. Simon

The Honorable
John F. Seiberling
House of Representatives
Washington, D. C. 20515

FEDERAL ENERGY OFFICE
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR
January 7, 1974

Honorable Aubrey J. Wagner
Chairman of the Board
Tennessee Valley Authority
New Sprinkle Building
Knoxville, Tennessee 37401

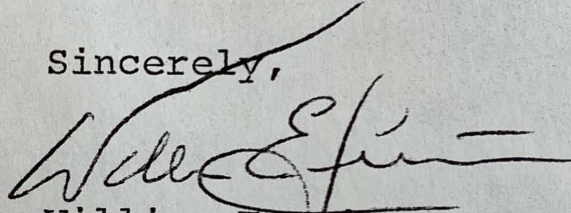
Dear Mr. Wagner:

First, may I express my sincere appreciation to you and your agency for providing us with personnel who so ably assisted us in the preparation and publication of the mandatory allocation regulations required under the Emergency Petroleum Act of 1973. Without the willingness of you and others in providing us with the necessary expertise, the task would have been a far more difficult one. I wish that you would convey my personal gratitude to Messrs. Jim Cox, Clark Grover and Jack Powell for their much appreciated assistance.

I would like to make one further request of you. As you know, on December 4, 1973, the President created the Federal Energy Office. As soon as appropriate Congressional action is completed, FEO will be created as an Administration. One large segment of this Administration will be the establishment of an Office for Policy, Planning and Regulation, which will incorporate the Office of Energy Source Planning. It is imperative that we staff this office with people who have talent and knowledge both academic and pragmatic about each of the major energy sources. This knowledge will run the full spectrum on each source, including prospecting, mining, refining or processing, transportation, distribution and ultimate utilization. The unit will be composed of personnel who are familiar with petroleum products, natural gas, coal and electric utilities. In this regard, until more formal arrangements can be completed, we would like to ask for the continuing detail of Clark E. Grover to help organize the coal and electric utility groups.

We recognize that TVA is also undoubtedly experiencing its own energy problems and that you may be reluctant to release Mr. Grover even on a temporary basis, but we also feel that the energy problems of the Nation are of grave importance and we need all the expertise we can muster. TVA would be reimbursed for the costs incurred by TVA for Mr. Grover services beyond the initial 60-day non-reimbursable assignment which is nearing completion. We will be making similar requests of other Federal Offices and Agencies to assist us in our initial staffing. An early expression of your concurrence in this request would be most appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. E. Simon", with a long horizontal flourish extending to the right.

William E. Simon
Administrator

January 10, 1974

Dear Senator Ribicoff:

Thank you for your letter which I received last Tuesday. Throughout the past weeks your cooperation and assistance has been invaluable and your letter represents another example of this valuable assistance. A great deal of confusion has resulted from this operation and I want to clarify both to you and to the people of New England how the plan to supply them with emergency residual fuel oil requirements now stands and the next steps which the Federal Energy Office plans. Moreover, I want to reaffirm our previous commitment to meeting New England's needs on an equitable basis.

During the week of December 24th, the New England utility group and its staff, worked with min in locating emergency shortages while helping with the allocation of fuel to satisfy those needs. Through their tireless efforts, we were able to locate several utility plants with residual fuel stocks sufficient to last only until mid to late January. The utilities were located in Massachusetts and Rhode Island, and served other New England States as well. We set out to satisfy these most pressing requirements first. We succeeded in providing 1.1 million barrels which is sufficient to meet emergency needs through the end of January. We did this on the basis that these emergency diversions would be sufficient to meet crisis requirements through the end of January and until the normal allocation program could be effective in meeting New England's deficiencies starting January 15th when the regulations become effective.

The 1.1 million barrels was, of course, a good deal less than the total amount which will ultimately have to be diverted to New England, and, in particular, the 4.5 million barrels that was originally estimated to be required to make up inventories and for which sufficient shipping capacity was identified. Additional needs which may be modified by the New England group as weather and other conditions change will, however, be provided as the regular allocation system is implemented and oil is diverted to New England utilities on a regular basis starting January 15th.

Finally, I would like to explain why our allocations directed the oil swaps and assumed the limited spot purchase of some imported oil which we knew to be available. The swap strategy is an interim measure designed to both take advantage of oil freed up by the utilities switching from oil to coal and also to minimize disruption to normal supply patterns.

Moreover, throughout the allocation system, we must assume that available imports continue to be imported despite the rising international price of oil. Otherwise, the load on domestic production would be far greater and the resulting shortfall between supply and demand much more difficult to manage. We have, therefore, based our planning on the assumption that utilities purchase imported oil when it is available. This does not mean we are "forcing utilities to purchase "black market" oil, and, in fact, companies have a recourse under the Economic Stabilization Act if price gouging occurs. We will not, however, force utilities to make excessive spot market purchases. The price problem is a derivative of historical supply patterns and we are actively seeking remedies to the very complex and difficult problem to minimize the use of high priced imported oil and distribute equitably the economic impact among areas.

Some have stated, in the press and elsewhere, that the New England area will be inequitably treated under the allocation system. Nothing could be further from the truth. Let me assure you that New England's needs will be fairly and equitably met. We look forward to working together with the people of New England in the future to ensure emergency requirements are met as equitably as possible.

Sincerely,

~~Willi~~William E. Simon
Administrator

The Honorable Abraham Ribicoff
United States Senate
Washington, D. C. 20510

January 11, 1974

+ 1/21 Tex

Dear Judge Langdon:

I am most anxious to meet with you in Houston and Austin next week to discuss the several excellent points you raised in your letter of December 10.

Mutual cooperation between state and federal governmental agencies is essential if our energy policies are to succeed. I am sure that we will be able to agree on an appropriate communication system between the Federal Energy Office, the Texas Railroad Commission and representatives of the remaining oil-producing states while we are in Austin. I would be foolish to disregard the knowledge and expertise accumulated over the years by the Railroad Commission and others at the state level when dealing with this very complex issue.

While I am in Austin on January 21 and 22, I would like to discuss the role Texas could play in the development of our national energy policies.

Once again, thank you very much for your suggestions and for your kind invitation to visit with you in Texas.

Sincerely,

/s/ Bill

William E. Simon

The Honorable
Jim C. Langdon
Chairman
Railroad Commission of Texas
Capitol Station - Drawer 12967
Austin, Texas 78711

January 11, 1974

Dear Sandy:

I received your letter relative to the press handling of your shortfall estimate.

Please do not misunderstand my position. It is just a natural sensitivity on my part with the so-called credibility crisis that exists in the United States today. I am striving to make our efforts credible and, in the process, am sometimes sensitive.

I recognize that we cannot expect the press to print everything to clarify this complex issue, but will keep trying. So please, again, do not take this as any criticism of your efforts. We will continue to work in the future just as closely as we have in the past.

With best regards.

Sincerely,

William E. Simon

Mr. Alexander B. Trowbridge
President
The Conference Board
845 Third Avenue
New York, N.Y. 10022

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

FEA-Advisory
Systems

4/17/74

OFFICE OF THE ADMINISTRATOR

Mr. Steven Ails
President
Association of American Railroads
1920 L Street, N. W.
Washington, D. C. 20036

Dear Mr. Ails:

LP-Gas industry members of the Emergency Advisory Committee for Natural Gas (EACNG) recently held a meeting at the Treasury Building to review and provide comments on proposed regulations for the Mandatory Allocation Program for propane and butane.

During a brief session I had with the Committee to discuss problems that the industry may be experiencing to deliver propane and butane to markets, a number of the members present indicated that the long delays in the movement of tank cars in shipping products to dealers and end-use customers is a particular difficult problem. A special problem exists with empty tank cars. In many instances, it takes longer to return empty cars to shipping points than to return full tank cars. One shipper indicated that during December, its tank cars averaged 94 miles per day from the Houston area to the south-east, whereas moving from West Texas to California, its cars averaged 214 miles per day. We have been told that this slow movement of tank cars is true in other areas as well.

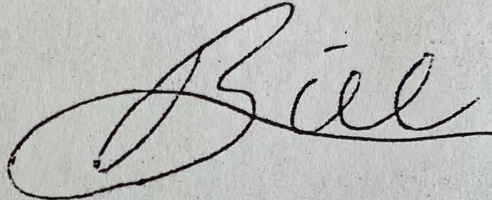
The Federal Energy Office is seeking the help of all Americans in solving the energy crisis. The cooperation and assistance of organizations like yours is essential in alleviating many of the current problems.

As I'm sure you know, railroad tank cars play an important role in delivering LP-Gas products to markets, especially during periods of peak demands, and in alleviating localized shortages that may arise unexpectedly.

I am requesting the assistance of the Association of American Railroads to investigate the tank car movement problem. I urge its member companies to take corrective action as quickly as possible.

Your cooperation and assistance is appreciated.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

William E. Simon
Administrator

January 19, 1974

Dear Senator:Hatfield:

I thought the attached telegram might be of interest to you pursuant to our discussion the other day regarding the Oregon situation.

As you can see, we are moving forward to assure that states such as Oregon do not suffer adversely because some suppliers have withdrawn from an area.

I want to assure you that the Federal Energy Office will fully enforce the new regulations to assure that all areas of the country will share the shortage equitably.

Best regards.

Sincerely,

W. E. Simon

William E. Simon
Administrator
Federal Energy Office

The Honorable
Mark O. Hatfield
United States Senate
Washington, D. C. 20510

Enclosure

FEDERAL ENERGY OFFICE
WASHINGTON, D.C. 20461

JAN 19 1974

FEA Cong

OFFICE OF THE ADMINISTRATOR

Honorable Jacob K. Javits
United States Senate
Washington, D. C. 20510

Dear Jack:

Depending on how the press treated the conference my people had today with Consolidated Edison and other parties interested in the company's problem, much of this letter may already be known to you. I thought, however, that a quick summary of the facts would be helpful.

We gave assurances that ConEd will be able to build its reserve inventories of residual oil from the 9½ day supply projected on 1 February to a 12 to 15 day level. I would also say personally that the inventory level should permit ConEd to eliminate the 5 percent voltage reduction now in effect. We gave no guarantees as to how soon this could be done, but did say that we could begin to relieve the situation very soon and might reach the 12-day level by the end of February. We would have liked to be more precise, but the current lack of firm data on overall demand for residual fuel oil precludes any positive guarantees.

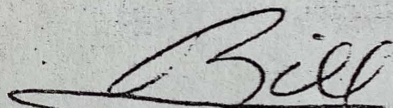
In addition, we will be following very closely - certainly once or twice a week - the activities and affairs of the New England Petroleum Company (NEPCO), ConEd's 50 percent supplier. They have guaranteed their January shipment schedule, but continue to have difficulty with a major portion of their Bahamian refinery. Should any problems develop, we will learn of them quickly, and move to direct residual oil to ConEd from other utilities that have better inventory positions.

Finally, we asked ConEd to redouble its own efforts to help themselves. There are three categories of things they should be doing. First, they can expedite their efforts to convert the Arthur Kill plant from oil to coal. That move, possible by early or mid-February, will reduce the daily oil requirement by 9.3 percent and add about one

day to the inventory. Second, ConEd must get those Indian Point plants back on stream, and particularly get the Number Two nuclear plant up to full power soon. That would also have the effect of adding one day to the inventory. They apparently never have had that plant fully operational, but there should be some expert around that can figure out what is wrong with it. Third, they ought to remain alert to the availability of a spot cargo here or there. This is a touchy subject because the price is around \$20 per barrel and buying too much at that price would throw an unfair burden on ConEd's customers, not to mention what it could do to the already emotional prices in the spot market. But one or two cargos at a below \$20 price would do wonders for the inventory situation and would not affect their base cost for fuel very much.

By the way, you might be interested to know that Joe Swidler was a participant in the conference. He made a rather impassioned plea in ConEd's behalf and seemed reasonably pleased with the action we took. We will continue to stay very close to this situation, Jack. I will let you know as soon as there are any further developments.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

William E. Simon
Administrator

FFA Copy.
JAN 21 1974

Dear Senator Gravel:

Prior to discussing the three specific problem areas in the proposed new Mandatory Fuel Allocation Regulations mentioned in your letter of December 20, 1973, I would like to congratulate you for drafting the best comprehensive energy bill that I have seen to date. I am looking forward to testifying at the upcoming hearings before the Senate Finance Committee on S.2806.

My responses to the recommended changes in the Mandatory Fuel Allocation Regulations which you have proposed follow:

(1) "Construction of facilities," such as construction activities of the trans-Alaska pipeline, would be included in the distribution phase of "energy production," of section 200.24.

(2) Fishing, as a subset of agricultural production, will receive 100 percent of the base period consumption for middle distillates.

(3) With respect to the Aviation Fuel Allocation program, we have established energy production flying, including Alaska pipeline activity, as a high priority, and will allocate to those users 100 percent of current requirements, regardless of their 1972 base consumption. There are also provisions in the regulations to allow for requirements in base period allocations where needed. There have been some adjustments made in aviation fuel allocations by the Office of Petroleum Allocation, based upon a 1972 base period consumption. We feel that this is the best period to use at this time as long as we allow adjustments in cases

where adjustments are needed. I am extremely interested in keeping abreast of the Alaska situation, and would appreciate your keeping me advised of the developments in aviation fuel requirements.

I appreciate the suggestions which you have offered concerning the Allocation Program, and look forward to appearing before your Committee on January 23, 1974.

Sincerely yours,

(Signed) Bill

William E. Simon

The Honorable
Mike Gravel
United States Senate
Washington, D. C. 20510



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

January 21, 1974

Dear Mr. Chairman:

Last December the Administration proposed that Congress consider a proposal for an Emergency Windfall Profits Tax to deal with excess or windfall profits resulting from escalating crude oil prices. The proposal is designed to deal effectively with the problem which exists; it is coordinated with a total energy program; and it is workable. The Committee on Ways and Means is expected to begin consideration of the proposal shortly. We strongly urge that you give the proposal, and related energy proposals, your careful attention as soon as possible.

While prompt action against windfall profits is essential, it is equally essential that it be done in a way consistent with the larger goal of attaining early independence from foreign energy supplies. In this connection, we believe that the windfall profits proposal contained in Sec. 110 of the Conference Report dated December 20, 1973, on the Energy Emergency Act would be ineffective and unworkable and could seriously prolong our quest for energy independence.

Sec. 110 is based on traditional excess profits tax concepts, which means that the government has to determine how much profit is "too much" profit. That kind of determination involves the selection of base periods and acceptable profit levels or rates of return from historical profit information. That in turn requires a determination that some rate or amount of profit was "normal" for affected taxpayers during the historical period chosen. In fact, the assumption of normality is false and most of the complexities of excess profits taxes have come from trying to adjust the tax for the abnormalities which always exist. I have attached as an appendix a brief discussion of excess profits taxes, which describes some of the complexities involved.

In prior excess profits tax laws, the complicated guides for determining the amount of excess profits have consumed pages and pages of the statute books. Sec. 110, on the other hand, vaguely expresses the test for excess profits in terms of "reasonable profits," "average profits" and "windfall profits." An administrator of those provisions would, accordingly, have no workable guide for making decisions. Furthermore, the administrator selected for this awesome task is the Renegotiation Board. This Board was designed for the entirely different and limited purpose of reviewing profits from certain types of contracts. While its personnel are able and conscientious, the Board is ill-equipped from the standpoint of concept, size and expertise to deal with a matter of this scope and complexity. Consider, if you

will, that excess profits tax controversies numbered over 50,000 and are still going on 20 years after the tax expired, and that the Internal Revenue Service was the only party with standing to complain about the profit levels of a taxpayer. Compare that situation with the private and individual relief provisions embodied in Sec. 110, under which anyone intrested could invoke the entire redetermination procedure of prices already administratively approved. The potential volume of cases which could arise is staggering to contemplate.

We agree that action should be taken with respect to windfall profits but we believe that Sec. 110 provides an unsatisfactory way to go about it. It would be administratively unworkable and it would create such great uncertainties as to what price the Renegotiation Board or a court might several months or years from now determine to be fair, that intelligent investors would be discouraed from making the investments which will be necessary if oil supplies are to be increased. Billions of dollars of investment are needed to increase energy supplies, and total uncertainty as to the profitability of that investment will surely discourage it. And if additional supplies are not forthcoming, prices can only escalate further as consumers bid up the prices for the existing supplies.

The Emergency Windfall Profits Tax provides a much more careful and satisfactory solution since it:

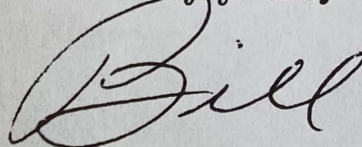
- . Focuses directly on the problem by taking away the windfall part of the price increase in crude oil.
- . Phases out over the period over which supplies will be increased, thus not discouraging the needed new investment to obtain additional supplies.
- . Falls on the producer, not the consumer, since it merely takes away unexpected profit rather than adds costs which must decrease expected profit or be passed on.
- . Is simple to administer--it involves no complex calculations, no complex returns and no complex concept.

At this critical time we must be sure that any solution devised for windfall profits does not work at cross purposes with the goal to achieve independence from foreign supplies. Further, it is a difficult and highly technical task to design a tax or other mechanism to deal fairly and efficiently with "excess" or "windfall" profits. It would be most unfortunate to proceed without heed to the lessons learned from our extensive experience with similar taxes.

We urge that Congress consider this problem as quickly as is possible, consistent with a technically satisfactory solution. We would welcome the opportunity to discuss in detail with you and your staff the operation of the Emergency Windfall Profits Tax and the problems inherent in Sec. 110, as outlined above.

I am sending a copy of this letter also to Senator Long, in his capacity as Chairman of the Finance Committee.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Bill", written in a cursive style.

William E. Simon

The Honorable
Henry M. Jackson
Chairman, Interior Committee
United States Senate
Washington, D. C. 20510

EXCESS PROFITS TAXES

While prior excess profits taxes differed significantly, they contained the common elements of (i) a determination of profit in excess of some base amount, (ii) the application of a high rate of tax to the excess amount and (iii) complex exceptions designed to alleviate the penal nature of the high tax rate in situations in which the general rule determination of excess profits yielded an inequitable result. The following problems existed in prior excess profits tax laws:

. Determination of base period and fair rate of return. No period can be selected which was a normal period for all taxpayers. That is to say, during any taxable year or years selected, some taxpayers' rates of return on investment or profits will be higher or lower than others for many extraneous reasons, such as strikes, floods, etc. Two basic methods have been used to determine a normal profit for the base period. One method is to compute a rate of return on invested capital during the base period, treat that as a normal profit rate, and impose a tax on any profits realized in excess of that rate. The other is to treat the absolute amount of profits realized during the base period as normal profits and impose a tax on any profits realized in excess of that amount. Combinations of the two basic methods have also been used. The assumption of normality of any historical rate of profits or any absolute amount of profits for a particular taxpayer for a particular period is subject to challenge because of the infinite variations in taxpayer's situations. For example, during whatever base period is selected, some taxpayers' businesses were contracting, some expanding; some used heavy amounts of equity capital, some relied heavily on debt; some engaged in heavy research and development expenses and others maximized earnings by postponing research and development expenses, and on and on.

. Exceptions for abnormalities. Because of the problems referred to above and others, complex machinery has always been required to adjust the inevitable inequities arising from the selection of base periods and the calculation of base period profits. Administrative boards and courts become entangled for years over these questions. The World War II and Korean War excess profits tax cases spawned over 54,000 applications for over \$6 1/2 billion of relief because of claimed abnormalities in the computation of excess profits. Thousands of lawsuits, the last of which has not yet been decided, required large expenditures of time and manpower for both government and taxpayer in complex economic arguments over how much was too much profit.

. Incentive for wasteful expenditures. Since the tax is conventionally imposed at a high rate and only on net profits, it has the effect of causing expenditures which would not otherwise be made and which are wasteful. For example, the corporate taxpayer at a 48% income tax rate must use 52 cents of its own money for every \$1.00 expended.

However, if the marginal tax rate is raised to 85% by the addition of an excess profits tax, only 15 cents of every \$1.00 of excess profits spent by the taxpayer comes from its pocket--the other 85 cents will be taken in taxes if not spent. Experience teaches that this leads to wasteful practices and inefficiencies which increase or maintain product prices to consumers without creating corresponding benefits to society.

Applying an excess profits tax only to the net profit of oil production would be even more difficult, for the following reasons:

. Increased coverage. The expected windfalls will accrue to all owners of oil, who include thousands of individuals, trusts, estates, specially taxed corporations such as insurance companies, and other corporations not generally associated by the public with oil companies. Accordingly, the windfall tax must apply to all owners of oil, not just to large oil companies, if it is to be effective. The World War II and Korean War excess profits taxes have applied only to corporate taxpayers. It is safe to say that as complex to administer as prior taxes have been, an excess profits tax affecting thousands of noncorporate taxpayers would be greatly more complex.

. Determination of excess profits. It would be necessary to determine the excess profits from oil production alone if the tax were to be confined to the windfall. Complex allocations of income and expense would have to be made. In the case of the numerous individuals, estates and trusts who keep minimum formal records, the allocation problem would be even more sizeable.

. Taxable income management. Taxable income management through wasteful expenditures would be easier to achieve for oil producers since their incomes are reduced currently through the deduction of most of the costs of new wells and percentage depletion. Wasteful drilling practices and wasteful expenditures for overhead items could reduce the impact of the tax to a large extent without corresponding benefits to society from productive new wells or research.

January 24, 1974

FEA-Cong

Honorable Henry M. Jackson
United States Senate
Washington, D.C. 20510

Dear Senator Jackson:

This is in response to your letters of January 18 and January 22, 1974 expressing your concern over the apparent discrepancies between oil import data reported by the American Petroleum Institute (API) and the Customs Bureau as reported by the Census. I was somewhat disturbed to read press reports indicating your concern about these variations because the apparent differences can be explained easily.

The Bureau of Mines' (BOM) and the API's data on crude imports are quite similar. Slight differences that do arise result from the different methods used in obtaining the data. BOM surveys all importing refineries and obtains monthly figures. API uses the same definitions as BOM, but surveys only 60% of the refineries on a weekly basis. Their import figures are estimates made by inflating the figure based on the 60% survey.

Differences between API and Census Bureau's data on crude imports are caused by:

- the timing of the report and,
- the definition of imports.

Customs data are published by Census in the month that the reporting form is received by Census rather than the month in which the imports actually arrived. The importer has up to ten working days to file a report after arrival. This report must be processed by Customs and sent to Census before it is recorded. This causes Census data to lag BOM and API data in an erratic fashion.

Further, Customs includes imports into Puerto Rico as part of the United States total. BOM and API exclude data on Puerto Rican imports. In addition, small differences are caused by the classification of some crude used for fuel as residual and the commingling of natural gas liquids and crude oil in pipeline imports from Canada.

My office has established a daily telephonic reporting system with Customs. This system will give us better data than is now available from BOM, API, or Census. Results for the latest two weeks in January reported by Customs Inspectors directly to FEO confirm greatly reduced levels of imports which are consistent with the API data and indicate the existence of a fully effective embargo. I will be happy to furnish your committee with copies of our weekly report as soon as it is fully operational, which should be in about one more week.

There certainly are difficult data problems in the energy field which we are attempting to resolve. It is unfortunate, however, when the public is lead to believe problems exist which, in fact, are largely definitional. The public needs the facts and all of us must do our best to keep unneeded confusion to a minimum.

I and members of my staff look forward to discussing with you any specific problems of a statistical nature that arise in the future.

Sincerely yours,

S/ William E. Simon
Administrator

EZausner/djs 1/24/74

Mem. to the

January 24, 1974

MEMORANDUM TO MR. CHARLES W.B. WARDELL, III

SUBJECT: Meeting with Secretary Shultz
December 19, 1973, 2:30 p.m.

Secretary Shultz and I met with the President to discuss the presentation of the Windfall Profits Tax proposal. The President decided to make a brief statement to the press after which a more technical briefing would be conducted by Secretary Shultz and me.

There was some general discussion on energy problems and the meeting to follow of the Emergency Action Group. The President then went out to make the announcement.

(Signed) William E. Simon

William E. Simon

JAN 24 1974

The Honorable Thomas J. McIntyre
United States Senate
Washington, D. C. 20510

OFFICE OF THE ADMINISTRATOR

Dear Senator McIntyre:

This is a further response to your letter of December 4, 1973 to the President concerning the problems of the recreational industry during the current energy crisis.

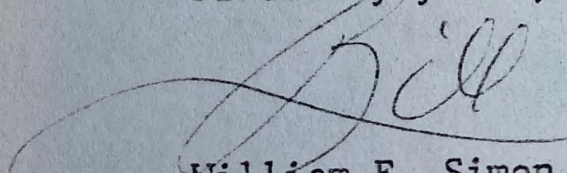
We are fully aware of the importance of the recreational industry and the vital part it plays in the economy of the country, particularly in states such as New Hampshire. Because of our concern over the effect energy shortages may have upon this segment, we are doing a study of the entire leisure industry. We recognize that leisure and tourism are as important to certain states as the basic industries may be to other states. We realize that in order to avoid severe economic dislocations within States dependent upon the recreational industry it will be necessary to preserve a reasonable opportunity to travel to recreational areas. It is not our policy to prohibit such travel nor to discriminate against industries and areas that are dependent upon these activities for their economic livelihood.

Recreation and leisure are essential to the quality of life. Provision for facilities and opportunity to permit it must, therefore, be high upon the list of our domestic social priorities. As a matter of fact, vacations are alternatives to the use of home energy that may actually reduce energy consumption.

While our study is not yet complete, and while I cannot emphasize too much the urgent need for conservation of fuel throughout the economy, it is our intention to give due recognition to the needs of the recreational industry, and to see that that industry gets its fair share of supply under any program of allocation or rationing.

I thank you for your expression of concern and hope that this response will be of assistance to you.

Sincerely yours,



William E. Simon
Administrator

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

Oil-Mideast

JAN 24 1974

OFFICE OF THE ADMINISTRATOR

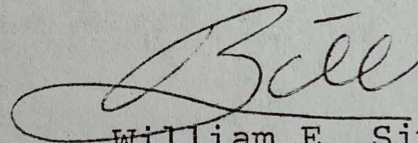
Mr. John K. Evans
3005 Normanstone Drive, N.W.
Washington, D. C. 20008

Dear Jack:

Thank you for your letter of December 31, with your comments on Soviet intentions in the Middle East. I had not seen Frank Gardner's column and believe that, together with your letter, it would be of interest to Secretary Kissinger. I am therefore taking the liberty of forwarding it to him for his information as well.

With all good wishes,

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill", with a long horizontal flourish extending to the left.

William E. Simon

Copy to
Secretary of State

FFA - Del Youth

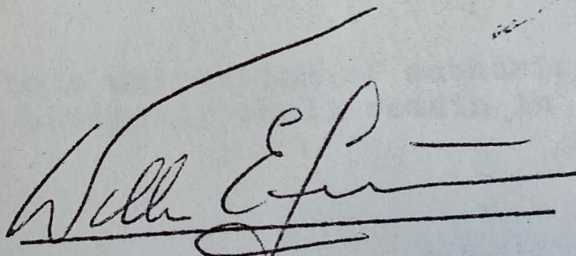
FEDERAL ENERGY OFFICE
OFFICE OF THE ADMINISTRATOR

Order No. 2
Delegation of Authority

Pursuant to the authority vested in me by Executive Order No. 11748 of December 4, 1973, it is hereby ordered as follows:

1. The authority under section 203(a)(3) of the Economic Stabilization Act of 1970, as added by section 2(b) of the Economic Stabilization Act Amendments of 1973, with respect to petroleum products, including crude oil, delegated to me by section 4(a) of Executive Order No. 11748 is hereby redelegated to the Deputy Administrator of the Federal Energy Office. The Deputy Administrator is authorized to redelegate any authority thereunder as permitted by law.

2. This order shall be effective as of the issuance of Executive Order No. 11748.


William E. Simon
Administrator
Federal Energy Office

JAN 24 1974

Dear Dolph:

It was a great pleasure being with you in Houston and Austin last week.

The need to coordinate Federal and State energy policies is clear. After our discussion, I am confident that we will be able to work effectively together toward a mutually expressed goal of national energy self-sufficiency. I applaud your state's strong imaginative energy conservation program as well as your assistance with the Mandatory Allocation Program. In this connection, any suggestions you have which would alleviate organizational, operating or other problems with the allocation program would be most welcome.

I so enjoyed our two evenings together, and I want to thank you again for the marvelous dinner party at the Mansion on Monday night.

Needless to say, if there is anything I can ever do to assist you please do not hesitate to call on me.

I will look forward to reciprocating your hospitality when you next visit Washington and look forward to seeing you again in the near future.

Sincerely,

(Signed) Bill

William E. Simon

The Honorable
Dolph Briscoe
Governor of Texas
State Capitol
Austin, Texas 76011

JAN 24 1974

Dear Jack:

I would like to thank you for a most enjoyable evening last Sunday. Since it was on relatively short notice, I certainly was not expecting anything quite so grand. It was obvious that you put forth a special effort to make my visit to Houston a memorable one, and for that, I thank you very much.

I felt that our time together was equally as productive as it was enjoyable. The influence of Texas among other energy-producing states cannot be underestimated. I believe that the valuable interchange of ideas with your guests provided all of us with a solid bond of understanding and trust from which we can produce meaningful energy-related policies. The careful coordination of Federal, State and private initiatives is essential to a sensible long-range energy policy.

Thanks once more for your very warm hospitality. Hope to see you again soon.

Sincerely,

(Signed) Bill

William E. Simon

Mr. Jack Josey
President
Josey Oil Company
504 Waugh
Houston, Texas 77019

Congrat

January 25, 1974

Dear Paul:

Thank you so much for your warm note of congratulations about my new assignment.

I am confident that the policies being developed and implemented will do much to ease our current energy problems. An even more complex aspect of my task, however, is to accelerate the development of alternative energy sources which would permit us to attain the capability for energy self-sufficiency by the 1980's.

The public response to requests for voluntary conservation has been heartwarming. But if we are to succeed in the long-run, a comprehensive educational program to explain the fundamental nature of the problem will be required. Americans will then begin to sense the importance of adopting the conservation ethic as a permanent part of their lifestyles.

I appreciate your kind offer of assistance and plan to take you up on it from time to time.

Thanks once again for your support.

Sincerely,

/s/ Bill

William E. Simon

Mr. Paul E. Murray, Jr.
Vice President - Manager Sales
BANKAMERICA Cheque Corporation
One Powell Street
San Francisco, California 94102

OS:AAsht:etg:1/21/74

January 25, 1974

Dear John:

Your timing could not have been better. We are presently in the midst of staffing the Federal Energy Office and, in view of Mr. Hardy's impressive credentials, I feel certain that he should be able to make a large contribution to this program. I will have key members of my staff discuss with him his major areas of interest and hope to have him on board as quickly as possible.

Thanks again for your great idea. Hope to see you soon.

Sincerely,

/s/ Bill

William E. Simon

The Honorable
John Kyl
Assistant Secretary of the Interior
Department of the Interior
Washington, D.C. 20240

cc: Mr. John Sawhill
Mr. Bruce Wilburn

S. Aarsht:etg:121/74

January 25, 1974

Dear Mr. Chairman:

The Treasury Department has just concluded a comprehensive analysis of the profitability of the oil industry. I'm sure that you will be pleased to know the sole informational base supporting this analysis is the Federal Trade Commission - Securities and Exchange Commission Quarterly Financial Reports for All Manufacturing Companies. After consulting with major financial institutions such as Chase Manhattan Bank, it was determined that the Federal Trade Commission produces the most reliable industry information available.

Before I release the analysis to the general public, however, I would like to prepare myself for questions, which will inevitably arise, about the make-up of the statistical sample. Therefore, I would appreciate it very much if you would provide the Treasury Department a list of petroleum companies which comprise the industry sample utilized by the Federal Trade Commission since 1958. It is my understanding that little substitution of companies occurs from year to year within the oil industry sample. If that is the case, I would appreciate your detailing the annual differences in the make-up of the sample. If possible I would also appreciate a breakdown of the oil industry sample by asset sizes.

It would be a great help if you could prepare this information as expeditiously as possible. Thanks for your very kind cooperation.

Sincerely,

William E. Simon

William E. Simon

The Honorable
Lewis A. Engman
Chairman
Federal Trade Commission
Washington, D.C. 20580

JAN 25 1974

Dear Mr. Skubitz:

I just received a copy of your very interesting letter to the President of November 29, 1973, concerning a refundable tax plan for gasoline. The plan you have suggested is intriguing and contains a number of features which have not appeared in previous gasoline consumption control plans.

As you know, we have been looking closely at both gasoline rationing and a refundable gasoline tax as options. At the present time, however, we are hoping that we do not have to adopt either one.

Should we have to go to one of these plans, you may be assured that we will include your ideas in our planning process.

Please call on me any time that I can be of help.

Sincerely yours,

(Signed) William E. Simon

William E. Simon

The Honorable
Joe Skubitz
House of Representatives
Washington, D.C. 20515

cc: Congr. Relations - Rm. 3414
(re: Action No. S-58076)

TEMPERATURE RECORD
BASEMENT - NEW NORTH BUILDING

FEA - Intri/Gow

January 8, 1974

9:00 a.m. - 77°
10:00 a.m. - 79°
11:00 a.m. - 80°
12:00 noon - 82°

January 17

January 29, 1974

9:00 a.m. - 80°
10:00 a.m. - 81°
12:00 noon - 82°
3:00 p.m. - 83°

Dear Cap:

January 18

As one of the many unusual documents that wander into my office these days, enclosed please find temperatures recorded in the Department of Health, Education, and Welfare on random dates in January by one of your occupants.

January 24

January 19 I know you will find this very interesting.

11:00 a.m. With best regards,

9:00 a.m. - 79°
11:00 a.m. - 81°
1:00 p.m. - 82°
3:00 p.m. - 83°

January 11

10:00 a.m. - 80°
4:00 p.m. - 81°

Sincerely,

5/Bell

William E. Simon - 80°

January 12

9:00 a.m. - 76°
10:00 a.m. - 80°
12:00 noon - 82°

The Honorable
Caspar Weinberger
Secretary of Health,
Education, and Welfare
Washington, D.C. 20201

January 13

9:00 a.m. - 78°
12:00 noon - 80°

Enclosure

January 28

9:00 a.m. - 81°
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3:00 p.m. - 82°

January 29

9:00 a.m. - 79°

January 16

9:00 a.m. - 80°
12:00 noon - 81°
1:00 p.m. - 82°

JAN 30 1974

FEA Int-Govt

Dear Mr. Chairman:

As you know from my recent communication, the Treasury Department has made a study of the profits of the petroleum industry since 1958, using data contained in the FTC Quarterly Financial Report. Arthur Anderson & Co., our independent auditors, has discovered a problem in the presentation of the data which will require a restatement of the "net profits after taxes" of the petroleum industry and possibly other industries since 1971.

According to staff members in the Division of Financial Statistics, net profit from foreign operations was excluded from net profit after taxes and was included in a separate line item entitled "Other direct charges and credits to surplus." Our auditors correctly insist that profits from foreign operations must be added back to net income after taxes if return on investment for world-wide operations of the petroleum and other industries is to be accurately calculated.

Since this restatement will require the staff of the FTC to review individual company files, I have been informed that prior to the release of this information to the Treasury Department for inclusion in our analysis, you would have to agree that the release of this information would not constitute a serious breach of any pledge of confidentiality. In this regard, let me assure you that we are interested only in the aggregate amounts of foreign income required to properly restate each industry's total results from operations and have no interest or need in individual company information. Since we have been unable to ascertain the nature of the remaining items included in the account entitled "Other direct charges and credits to surplus," the auditors have requested, in addition, that you provide an analysis of the

- 2 -

components of that account, stated in aggregate amounts by quarter since 1971, for the individual industries in question. Without such aggregate foreign income information as well as the required additional analysis, Arthur Anderson has made it clear that it would not be able to certify as to the accuracy of this study.

I am hopeful that you will be able to reach a favorable determination as quickly as possible. Thanks for your very kind cooperation.

Sincerely,

/s/ WES

William E. Simon

The Honorable
Lewis A. Engman
Chairman
Federal Trade Commission
Washington, D.C. 20580

D/S Outgoing Letters: 1974 (Jan.)

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Outgoing Letters: 1974 (Feb. 1-19)



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

FEA - Gen

February 1, 1974

Mr. John W. Simpson, President
Power Systems Company
Westinghouse Electric Corporation
Westinghouse Building
Gateway Center
Pittsburgh, Pennsylvania 15222

Dear Mr. Simpson:

The President has asked me to respond to your letter of December 4, 1973 and to express his appreciation for the support of Westinghouse Electric Corporation in attaining our national energy goals.

I agree that we can achieve self-sufficiency by 1985 and that we should have as clear cut objectives as possible for expanding our domestic energy supplies. Both nuclear power and coal will play important roles in "Project Independence." The President is taking positive steps in the nuclear power field to accelerate the installation of additional nuclear electric power generating capacity. Measures are also being taken to increase the use of coal, our most abundant fossil fuel resource.

While the technique of setting specific quantitative targets for various fuel sources has the advantage of focusing each element of the industry on a specific production goal, it also presents some major difficulties.

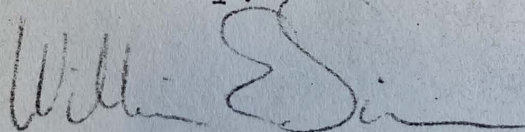
There are large uncertainties in projecting energy supply and demand and the corresponding price structure for ten or more years into the future. We feel it essential that we must have a flexible policy in order to reduce the risks of investing the large portion of the Nation's resources that will be required to meet our future energy needs. A prudent policy dictates that we have a capability to choose among a number of options for expanding our domestic energy supplies in the most efficient manner possible and with minimum risks.

For these reasons, the Administration is moving forward to develop a flexible policy for expanding energy production with maximum participation of the private sector. In addition to nuclear power, coal and conventional sources of oil and gas, we are also examining the contribution which synthetic fuels, such as coal gases and liquids and shale oil, could make toward meeting the nation's energy requirements in the years ahead. The task before us is to encourage the production of energy from all available sources, then let the interplay of market forces determine the specific fuel mix that will achieve the goals of "Project Independence" by the time required, at least cost.

The Federal Government has traditionally and successfully worked in close cooperation with private industry to attain vital national goals. We appreciate your expression of support and look forward to a continuing cooperative effort to resolve the nation's energy problems.

The extent and timing of the shifts in demand and supply we can expect over the coming years are still far from clear. To fix now on a specific fuel mix for 1985 runs the risk of causing some industries to make heavy investments in productive capacity that may not be economically competitive when it is completed. I would welcome any further thoughts you may have on this subject.

Sincerely,

A handwritten signature in dark ink, appearing to read "William E. Simon", written in a cursive style.

William E. Simon
Deputy Secretary
of the Treasury

FEA - Cong

FEB 4 - 1974

Honorable Harley O. Staggers
Chairman, Interstate and Foreign
Commerce Committee
House of Representatives
Washington, D. C. 20515

Dear Mr. Staggers:

In response to your request, as conveyed by your staff, I have reviewed the Conference Report to accompany S. 2589, the proposed "Emergency Energy Act," and I am setting forth below the primary provisions of the proposed Bill with which I have concern for the reasons briefly indicated. I am certain that we share a mutual concern that legislation be enacted which will best serve the nation and enable us not only to manage our present energy shortage--but also to adopt policies which will bring us the ability for self-sufficiency in energy.

In accordance with your request, the following list contains our main concerns on a priority basis beginning with the most troublesome provisions. In so doing, it is important to emphasize that these concerns are all important and that there is no way to single out any particular one as most important.

I Section 110-Windfall Profits

We believe that immediate and effective action to prevent excessive profits is necessary. We have submitted proposed legislation on this subject to Congress, and the Ways and Means Committee will begin hearings. Therefore, I ask that Section 110 be deleted from this Bill, pending enactment of appropriate legislation to deal with this problem.

II Section 105-Procedures for Congressional Approval of Conservation Plans to meet the Energy Crisis.

I am pleased to have Congressional participation in the development and finalization of the needed conservation measures. However, I am concerned that the specific procedures

set out in this section could cause unnecessary administrative difficulties for both the Congress and the Federal Energy Office and delay our efforts to institute needed conservation programs. Therefore, I ask that the Conference Committee revise this section so that all conservation plans are effective immediately, subject to disapproval by either House of Congress within 15 days of submission.

III Section 103. Federal Energy Emergency Administration.

We strongly support the creation of a Federal Energy Administration, and have submitted legislation to accomplish this. The Senate has passed and the House has begun floor consideration of such legislation. Functioning under the agency created by Section 103 would be most difficult since there are no administrative authorities, no funding authorization and no adequate provisions for continuity of existing activities presently conducted by the Federal Energy Office. Therefore, I urge that the Conference Committee delete this provision creating the FEEA from its Bill.

IV Section 118-Administrative Procedure and Judicial Review.

There is no doubt that we do need adequate administrative and judicial review procedures. I am concerned, however, because this particular section contains many ambiguities and inconsistencies. With respect to the judicial review provisions of this section, in the interest of uniformity, we recommend that the Temporary Emergency Court of Appeals (85 Stat. 748-750) be utilized as is done under the Economic Stabilization Act and the Emergency Petroleum Allocation Act. The governing administrative procedures requirements should be those of the Administrative Procedures Act.

V Section 124-Reports by Industry.

I strongly support the idea of a comprehensive energy information reporting system. We have already taken steps to institute such a system and have asked for legislation that will deal with this important subject.

However, it is extremely important that the reporting system established by law be structured properly so as to ensure that all needed data will be collected promptly. Although I support the purpose of Section 124, it does not adequately define the types of information needed and how it should be made available consistent with the preservation of full industry competition. We have testified before the House Small Business Committee and pointed out the difficulties with this section. In light of the fact that Senate hearings will begin this week on S. 2782, which addresses this issue, and that we will be able to present a legislative proposal as well, I would urge the Committee to defer adoption of Section 124.

VI Section 116-Employment Impact.

I am deeply concerned with minimizing effects of the energy emergency upon employment and being assured that anyone unemployed as a result, receives needed assistance. I do believe, however, that the approach set forth in Section 116(b) is not the best way of accomplishing the result. It would be particularly difficult to qualify unemployed persons under the guidelines of Section 116. I would urge that this section be deleted and the Administration's proposed unemployment insurance program be used to address this issue.

VIII Section 112

The proviso in Section 112(a) requires, notwithstanding all other relevant factors, that the U.S. allocate petroleum products so that no foreign corporation or entity receives more favorable treatment than is received in its home country by U.S. citizens engaged in the same line of commerce. It is our feeling that this provision does not provide enough flexibility to ensure that firms operating in the U.S. are treated equitably. Therefore, I would urge that this proviso be deleted or broadened to permit wider discretion in imposing the sanctions specified.

IX Section 114-Anti-Trust Exemptions.

Clearly, we need the cooperation of the energy industry and there is a need to assure the companies that the anti-trust laws do not prohibit them from providing this cooperation and assistance. However, Section 114 may discourage potentially helpful voluntary agreements and other participation by industry. Therefore, I recommend that language similar to Section 314 of the Senate bill be substituted for Section 114.

X Section 203-Clean Air Standards

In this energy emergency we need provisions for the temporary relaxation of the schedule for increasingly severe standards, in order to conserve fuel. We suggest, however, that Section 203 be revised so that the interim 1975 standards for hydrocarbons, carbon monoxide and oxides of nitrogen be extended now for two years (to cover 1976 and 1977 model years).

XI Section 206-Mass Transit Studies.

To the extent that this section contemplates a Federal subsidy program for mass transit operations, we have serious concern. We are also concerned with the requirement for a study of a Tijuana, Mexico-Vancouver, Canada transportation system, since a study has already been made by the Department of Transportation and serious technical and economic problems seem to exist.

In both respects, expenditure of federal funds and effort for these studies does not appear to be necessary. The Department of Transportation would certainly be willing to present its findings to the appropriate congressional committees.

I have not attempted to outline in detail our reasons for the suggested revisions to the proposed Emergency Energy Act. If you or any member of the Conference Committee, have any questions about these comments or would like to discuss them, my staff and I will be pleased to respond.

Sincerely,

(Signed) William E. Simon

William E. Simon
Administrator

cc: Honorable Samuel L. Devine

February 13, 1974

FEA-Conserv.

MEMORANDUM TO ERIC ZAUSNER

Admiral Zumwalt called me today with two suggestions for further conservation.

- (1) The power levels at night as far as lighting in buildings is concerned.
- (2) Truck routes. It seems they are set in this country in rather circuitous fashion relative to the shortest distance between two points.

I think the first idea could have a lot of merit, and perhaps the Public Utility Commission could be useful.

The second you might talk to someone at the Transportation Department about.

i/WES

William E. Simon

February 13, 1974

FEA-R

Dear Jack:

Thanks for your thoughtful suggestions about including in my speeches the urgent need to expand domestic refining capacity. Since we both understand the importance of such expansion, it was clearly an oversight which I will remedy immediately.

In regard to your second point, we appear to be in complete agreement that, if at all possible, voluntary energy conservation is an infinitely better approach to the shortage than coupon rationing.

Please keep your suggestions coming, I appreciate all the help I can get.

Sincerely,

/s/ Bill

William E. Simon

Mr. John K. Evans
International Business Advisor
3005 Normanstone Drive, N.W.
Washington, D.C. 20008

OS:AARSht:etg:2/11/74

cc: Mr. Robert Nipp



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

FEA - Cong

February 19, 1974

Dear Hugh:

The Energy Emergency Conference Report (S. 2589) before the Senate today contains so many objectionable provisions that the President will have no choice but to veto the bill should it reach his desk in its current form.

We do believe that additional statutory authority is needed in the energy area, and the Energy Act does address several of these areas. We do need the authority to mandate conservation measures. We do want direct authority to institute end use rationing. We do want authority to require conversion of power plants, so that greater use may be made of coal. Finally, we do support changes in the environmental area which the Act also addresses. Nevertheless, in total, the legislation goes far beyond these areas and has so many unworkable provisions and unwarranted controls that it would exacerbate the fuel shortage rather than relieve it.

For example, the provision which would "roll back" the price of all crude oil to an artificially established price creates economic uncertainty and would have the effect of discouraging production of domestic crude oil at a time when the Administration's policy and the Nation's need is to increase supply. We need flexibility in setting prices so that we may be sure that prices will be reasonable to the consumer and yet will stimulate needed investment and increase domestic production. Our experience in administering the crude allocation program has shown how difficult it can be if enough flexibility is not provided by statute. We asked Congress not to require the allocation of crude oil at all levels, but the current law does so and makes administering such a program most difficult.

We must work together to build a strong domestic energy industry so that our country will not be so dependent on foreign sources of crude oil. At the same time, we are concerned that the industry does not profit excessively at the expense of the consumer. I feel the President's "windfall profits" proposal will assure that no one will take advantage of the shortage by unreasonable profits.

Another unworkable portion of the Act is the creation of the Federal Energy Emergency Administration. It contains virtually no administrative authorities, no viable executive structure and no provision for continuity with existing activities under the Federal Energy Office. We prefer enactment of a measure more along the lines of the Energy organization already passed by the Senate and now on the House calendar. We must have the right kind of agency to do the proper job.

An unworkable employment assistance provision is also included in the Conference Report. The states would determine eligibility using vague open-ended guidelines that would make it very difficult to define unemployment due to "the energy crisis." We support the President's unemployment compensation proposals pending before Congress which are workable and reasonable.

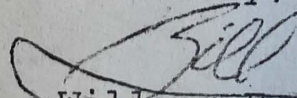
The legislation before the Senate contains authority for HUD and SBA to make low interest loans to homeowners and small businesses to finance insulation, storm windows and heating units. If every eligible homeowner and small businessman took advantage of this section, the government could spend as much as \$75 billion on this provision alone. The actual energy savings produced by these vast expenditures would be disproportionately small.

These are just a few of many objectionable features of S. 2589. It unfortunately contains very few needed authorities and imposes costly requirements that hinder rather than help deal effectively with the energy shortage. There are some provisions in this bill, such as the requirement for increased reporting of energy data, which are important. However, every one of these provisions is addressed in separate and more reasonable legislation already in the Congressional process.

I know most Senators are eager to be helpful in solving fuel problems, but the Conference Report now before the Senate will have the opposite effect. The President, after careful consideration, has decided that the only reasonable course is for him to veto S. 2589.

With warm personal regards,

Sincerely,



William E. Simon

The Honorable
Hugh Scott
United States Senate
Washington, D.C. 20510

19 FEB 1974

Simon sign.

2/19 dispatched
signed by Sawhill

Honorable Albert H. Quie
House of Representatives
Washington, D.C. 20515

Dear Mr. Quie:

Thank you very much for your recent letter regarding the withholding of crude oil from the market in anticipation of higher prices.

This practice is not encouraged by the Federal Energy Office, and steps are being taken to monitor the holdings of major and independent producers and refiners.

Investigations will be conducted by the appropriate regional offices of the Federal Energy Office. The responsible element for your constituency is: Federal Energy Office, 175 West Jackson Boulevard, Chicago, Illinois 60604. The Regional Director is Mr. George Delegianis.

Your expression of concern in this matter is greatly appreciated, and I hope to have the benefit of your comments in the future.

Sincerely yours,

SIGNED/WILLIAM E. SIMON

William E. Simon
Administrator

cc: ~~FEO~~/Correspondence

FEO/Reading File

DDILDINE/CS/RM.#119/Winder Bldg./gs/1-31-74

19 FEB 1974

2/19 dispatched
signed by Sawt

FEA-Int-Gov

Honorable Russell E. Train
Administrator
Environmental Protection Agency
Washington, D.C. 20460

Dear Russ:

The Office of Energy Data and Analysis of the Federal Energy Office is in the process of conducting a clean fuels study in conjunction with the Bureau of Mines. This study has found that the low sulfur coal deficit resulting from emission regulations promulgated pursuant to the Clean Air Act will be about 218, 127 and 42 million tons in 1975, 1977 and 1980 respectively.

There are a number of reasons for taking action to resolve the emission regulation/clean fuel supply problem. First, as long as Federal policies relating to sulfur dioxide emissions remain uncertain, the development of the Nation's coal resources will be inhibited. Secondly as long as the clean coal deficit exists, there will be pressure to burn oil -- either switch to oil (currently prohibited by FEO regulations), not convert from oil to coal, burn more oil in plants with dual fuel-burning capacity or build new plants to burn oil. The economic implications of expanded oil consumption have become clear, particularly with regard to inflation and balance of payments. Thirdly, as long as the Nation's energy resources are allocated in a manner inconsistent with the goal of attaining primary ambient air quality standards, the longer it will take to achieve the health-related standards. Fourthly, the widespread application of flue-gas desulfurization systems where not needed to achieve ambient air quality standards, would result in significant increased capital and operating costs. Finally, additional electrical generating facilities and energy resources would be needed to operate scrubbing systems where less energy demanding alternative approaches are possible.

We feel strongly that the Federal government should take steps immediately to eliminate the deficit. We are aware of current EPA efforts to deal with the problem. However, we believe additional steps might be taken: a) a more aggressive program of selective decontrol and b) the more widespread use of tal

D/S Outgoing letters: 1974 (Feb. 20-28)

20



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

FEA Cong

February 20, 1974

Dear John:

The Energy Emergency Conference Report (S. 2589) which soon will be before the House of Representatives contains so many objectionable provisions that the President will have no choice but to veto the bill should it reach his desk in its current form.

We do believe that additional statutory authority is needed in the energy area, and the Energy Act does address several of these areas. We do need the authority to mandate conservation measures. We do want direct authority to institute end use rationing. We do want authority to require conversion of power plants, so that greater use may be made of coal. Finally, we do support changes in the environmental area which the Act also addresses. Nevertheless, in total, the legislation goes far beyond these areas and has so many unworkable provisions and unwarranted controls that it would exacerbate the fuel shortage rather than relieve it.

For example, the provision which would "roll back" the price of all crude oil to an artificially established price creates economic uncertainty and would have the effect of discouraging production of domestic crude oil at a time when the Administration's policy and the Nation's need is to increase supply. We need flexibility in setting prices so that we may be sure that prices will be reasonable to the consumer and yet will stimulate needed investment and increase domestic production. Our experience in administering the crude allocation program has shown how difficult it can be if enough flexibility is not provided by statute. We asked Congress not to require the allocation of crude oil at all levels, but the current law does so and makes administering such a program most difficult.

We must work together to build a strong domestic energy industry so that our country will not be so dependent on foreign sources of crude oil. At the same time, we are concerned that the industry does not profit excessively at the expense of the consumer. I feel the President's "windfall profits" proposal will assure that no one will take advantage of the shortage by unreasonable profits.

Another unworkable portion of the Act is the creation of the Federal Energy Emergency Administration. It contains virtually no administrative authorities, no viable executive structure and no provision for continuity with existing activities under the Federal Energy Office. We prefer enactment of a measure more along the lines of the Energy organization already passed by the Senate and now on the House calendar. We must have the right kind of agency to do the proper job.

An unworkable employment assistance provision is also included in the Conference Report. The states would determine eligibility using vague open-ended guidelines that would make it very difficult to define unemployment due to "the energy crisis." We support the President's unemployment compensation proposals pending before Congress which are workable and reasonable.

The legislation before the Senate contains authority for HUD and SBA to make low interest loans to homeowners and small businesses to finance insulation, storm windows and heating units. If every eligible homeowner and small businessman took advantage of this section, the government could spend as much as \$75 billion on this provision alone. The actual energy savings produced by these vast expenditures would be disproportionately small.

These are just a few of many objectionable features of S. 2589. It unfortunately contains very few needed authorities and imposes costly requirements that hinder rather than help deal effectively with the energy shortage. There are some provisions in this bill, such as the requirement for increased reporting of energy data, which are important. However, every one of these provisions is addressed in separate and more reasonable legislation already in the Congressional process.

I know most Members of Congress are eager to be helpful in solving fuel problems, but the Conference Report now before the House will have the opposite effect. The President, after careful consideration, has decided that the only reasonable course is for him to veto S. 2589.

With warm personal regards,

Sincerely,

(Signed) Bill

William E. Simon

The Honorable John J. Rhodes
House of Representatives
Washington, D. C. 20515

Answer 2.

I have not made a decision as yet and we are doing everything we can to avoid rationing. Along with the weather, energy conservation is our greatest cushion against rationing. I believe that the majority of American consumers share the view that rationing is at best, an unattractive last resort. Because what we are really talking about is adding 17,000 employees and one and one half billion dollars to the Federal budget -- and establishing a system that will create new inequities and not shorten lines because no rationing system will increase supply.

This week Bill Simon has directed emergency allocations for the month of February to 22 States that are in critical need. We will consult with the Governors of all States to determine what additional supplies should be provided so that all states can get a fair share of available gasoline. In this way, we feel that rationing can be avoided.

FEDERAL ENERGY OFFICE
WASHINGTON, D.C. 20461

February 20, 1974

FEA- WH Corres.

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: PAT BUCHANAN
FROM: WILLIAM E. SIMON *(1)WES*
SUBJECT: Your Comments of February 19

This is in response to your February 19 memorandum concerning the President's mid-week press conference. Here are recommended answers to the questions you outlined.

Answer 1.

Mr. Simon and Mr. Ash both tell me that you fellows have made a mountain out of a semantic molehill. I said in this year's State of the Union Message that 1974 can be a year in which we not only break the back of the energy crisis, but also one that lays the foundation in our future capacity to meet Americas energy needs from Americas own resources. Neither I nor anyone else has said that all of the energy problems and challenges will end this year.

As I have said, I am confident that with the continued good support of the American people the current crisis is manageable, and that Bill Simon is handling the rearrangement of distribution of our current supplies in a way which will end the immediate crisis this year. Of course, we have major work ahead to deal with the energy shortage, to achieve the capability for energy self-sufficiency over the years ahead. The real heart of the energy problem is our increasing dependence on foreign supply. This dependence cannot end this year but I have proposed Project Independence as the real answer to this long-term problem; it will require large scale Federal government support of energy research and development as well as enormous private investments, and will take years to accomplish.

FEA-Gen.

February 21, 1974

Dear Rory:

Please excuse the delay in responding to your letter of January 14.

I cannot agree that my statement about the need to sustain the public's awareness of the long-term nature of the energy crisis was either patronizing, manipulative or distrustful of the level of comprehension of the American people. I do believe that it is necessary to educate the public about the fundamental causes of the energy crisis--that the Arab embargo was not the cause and similarly, that the end of the embargo will not bring about the cure. Only after Americans accept the energy conservation ethic as a permanent part of their lifestyles and need for higher prices for fuel as a way to increase domestic energy supplies will I feel that I have made some headway in this assignment.

Even though it is politically less compelling, I have a responsibility to inform the public about the long-term nature of our energy problem. I will continue to drive home to the American people one essential fact--that until we have the ability to sustain our economy with energy supplies which we control, we will continue to be subject to economic and political blackmail so painfully illustrated by the Arab embargo. If that is manipulative, so be it. But I cannot permit those whose primary goal is reelection to persuade the public that our problem is transitory and therefore does not require long-range sacrifice or change.

- 2 -

While I believe that you have every reason to suspect manipulation of the public on various issues by others within this and prior Administrations, I fervently hope that you will find that the Federal Energy Office presents a sharp contrast to the folly you rightly criticize.

Sincerely,

/s/ Bill

William E. Simon

Mr. C. Roderick O'Neil
Executive Vice President
Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York 10022

FEB 21 1974

FEA- St. 2
Local Gov

Dear Mr. Nesbitt:

I am particularly interested in your views with respect to intelligent price regulation of our scarce energy resources. Clearly, the action you have taken to prohibit natural gas production at wasteful prices was bold, imaginative, and no doubt greatly impressed the Federal Power Commission.

Although sensible price regulation is our only feasible course of action in the short and intermediate range, a major thrust of the Federal Energy Office will be to promote the development of alternative domestic sources of energy sufficient to handle our national energy requirements. When that is done--by the 1980's hopefully--we will be able to deregulate energy prices to permit the normal functions of supply and demand to interact freely at reasonable price levels.

I am hopeful that the Federal Power Commission will take a posture toward natural gas prices which is similar to my position on crude oil prices--which is, that prices should rise gradually, in a manner which will minimize the discomfort to the American Consumer, until the regulated price approaches the price believed to represent an equilibrium point between long-term supply and long-term demand of both natural gas and crude oil. By that time, world prices should approximate that same level. In my opinion, when that occurs, the price regulation machinery should be dismantled so as to unencumber free market forces.

- 2 -

I was very pleased to learn about your energy conservation efforts with regard to the trucking industry. Please do not hesitate to contact me if you have additional thoughts in the conservation area which may be of help to the Federal Energy Office. In this connection, I am sure that your long experience as a regulator of the energy production industry in Oklahoma will be invaluable to me and I fully intend to solicit your advice in this area.

Sincerely,

/s/ Bill Simon

William E. Simon

Mr. Charles Nesbitt
Chairman
Corporation Commission of Oklahoma
Jim Thorpe Office Building
Oklahoma City, Oklahoma 73105

Dear John:

Thanks very much for your kind thoughts about my performance to date.

I would love to have an opportunity to talk to OPEC and Dr. Khene, if you could arrange it. There is certainly no dearth of topics for us to discuss.

Thanks for your gracious invitation to stay at your home. It would be a pleasure.

Warmest personal regards,

Sincerely,

(Signed) Bill

William E. Simon

The Honorable
John P. Humes
American Ambassador
Vienna, Austria

FEA-Sp + St
other than

FEB 21 1974

Dear Sol:

I found the remarks of Prince Saud al-Faysal of Saudi Arabia extremely interesting. Thanks for sending them to me. It is rare to hear the rationale behind the actions of the oil-producing nations articulated so well.

It was great to be with you in New York, but I was sorry we couldn't spend more time together.

Thanks again for thinking of me and I look forward to seeing you soon.

With best regards,

Sincerely,

(Signed) Bill

William E. Simon

Mr. Sol M. Linowitz
Coudert Brothers
200 Park Avenue
New York, New York 10017

FEB 21 1974

FEA-Cong

Dear Tom:

Please excuse this belated reply to your note of December 7. I appreciate your general support of my policies but I would like to correct a misconception which you hold about the reference to "rationing by high prices" which appeared in the Wall Street Journal.

I have never advocated rapid escalation of prices as a means to blunt consumer demand for petroleum products. On the contrary, I have requested general cooperation with our voluntary energy conservation program, which is essential if this nation is to minimize the discomfort experienced as a result of a growing gap between unconstrained demand for and available supplies of energy.

As you know, prices for petroleum products have risen dramatically because of the monopolistic pricing strategy of the oil-producing cartel. These higher priced imports, together with the rising prices for uncontrolled domestic crude oil, are responsible for higher-priced products in this country. If such costs were not able to be passed through in the form of higher prices, however, it is extremely likely that imports would have been diverted from this country, thereby exacerbating our current shortage in supplies.

By this time, you are surely aware of the complexity of our energy shortage. While a price-rollback in crude oil is politically compelling, one runs the risk, if the rollback is too severe, of creating disincentives for increased domestic exploration, secondary and tertiary recovery of known reserves and development of new and costly alternate sources of fuel.

I have no interest in rationing by high prices, which is an insensitive, callous and regressive approach to the energy problem. I recognize, as do many others, the need for a domestic crude oil price which is sufficient to encourage the investment necessary to increase our domestic energy supplies. While the end results of the two methods may hold some parallels, the means by which they are achieved are clearly different.

Sincerely,

(Signed) Bill

William E. Simon

The Honorable
Thomas F. Eagleton
United States Senate
Washington, D.C. 20510

OS:AARSht:mm:2/19/74

B

Dear Tubby:

Thank you very much for your concern about the WALL STREET JOURNAL article which appeared recently.

While the title of the article was a bit startling, I felt that the basic theme in the text was essentially correct. The writer was stressing that governmental regulations and policy, no matter how responsive to the public need and no matter how well-conceived, cannot replace the intricate mechanism of the free market place. Millions and millions of bits of information relating to such variable factors as supply, demand and price of a given commodity and product are digested by the marketplace daily. The author was saying merely that this myriad of complex factors can be handled most efficiently by the marketplace and that no group of Federal policymakers, no matter how bright, can sit in a room in Washington and handle that infinitely complex process of decision-making as effectively as can a free market. I totally agree with this philosophy and I'm sure you would agree that the sooner we are rid of economic controls the better. But until we can return safely to that concept, without the ruinous inflation that would certainly follow wholesale decontrol, the Federal Government, while far less perfect than the free market, will have to do the best it can.

I felt the article in a sense was highly complimentary in that it is suggested that no group of men could be attacking the problem more sensibly than we are, but that no group of men, we or anyone else, could ever replace a free market.

2 1 FEB 1974

Office of the Administrator

FE A - Long

Honorable Charles E. Chamberlain
House of Representatives
Washington, D. C. 20515

Dear Mr. Chamberlain:

This is in response to your letter of January 17, 1974, concerning exports to foreign countries.

It is estimated that exports of all types petroleum products during 1973 will be approximately 237,000 B/D. The United States imported approximately 4.7 million barrels daily during 1972 and absent the Arab embargo would have imported about 6.5 million barrels per day during 1973. Of the 237,000 B/D exported approximately 40 percent is coke and 18 percent is lubricating oil. A substantial fraction is residual fuel oil of which much has a high sulphur content or is cross border trade with Canada and Mexico. All these latter commodities are surplus to the U.S. requirements.

Most of the quantities exported are surplus to U.S. needs because of nature of the product or the export follows a historical pattern. We believe these exports should be continued. Also, in view of the fact that the United States is a substantial net importer of petroleum and petroleum products any decision to restrict exports should receive very careful consideration, because it would be inadvisable to invite retaliation.

The principal concern with petroleum exports has been in relation to export of distillates. In the period of January 1, 1973 and October 31, 1973 there were approximately 2.2 million barrels of distillates exported. This quantity is relatively small compared to a consumption rate of distillates in the U.S. of about 3 million barrels per day or 1.1 billion barrels per year. Also a considerable portion of these exports represent trade with Mexico or distillates which are shipped to foreign refining centers in order to dilute other products. These materials are subsequently returned to the U.S. During the last three months of this period there was an increase in shipments to Europe and these shipments were of more concern.

The small volume of exports of product that are apparently not surplus to U.S. needs have not yet reached a volume constituting a threat to U.S. supply; however, any export of this type for the purpose of profiteering should not be permitted. The Department of Commerce has instituted a licensing requirement for petroleum pursuant to the Export Administration Act of 1969. Enclosed is a copy of a publication on export limitation from the January 29, 1974, Federal Register.

If anything further is needed, please let us know.

Sincerely yours,

S/

Administrator

Enclosure

cc: Mr. Wakefield
Mr. Simon
Mr. Ebel
Mr. Perry, Rm. 5523, INTBldg.
Exec. Communications - NEOB Rm. 4020
:DVPerry"dmf:rm. 5524, INT. ext. 6951:2/12/74

25 FEB 1974

FFA-011 C

Mr. Maurice F. Granville
Chairman of the Board and
Chief Executive Officer
Texaco, Inc.
135 East 42nd Street
New York, New York 10017

Dear Mr. Granville:

I cannot emphasize too strongly the depth of my concern over the consequences of negotiations on price and volumes of Middle East oil if their outcome serves to perpetuate unreasonably high costs to consumers.

I am sure that you are equally aware of the concern expressed in the Congress and elsewhere over the past inability of government to be an effective factor in expressing the national interest in such matters; you are also aware of the thought being given the strengthening of government's role expressed by members of the Senate and House.

It is with these concerns in mind that I ask you, as I am asking others, to consult with me personally before the conclusion of new 1974 agreements which would affect price and volume levels.

Sincerely yours,

SIGNED/WILLIAM E. SIMON

William E. Simon
Administrator

cc: IEA (2)
Wakefield (2)
Admin (2)
Conant (chron)

ITC:Conant,M.A.:cal Room 7214, Columbia Plaza, 634-6023 2/22/74

SYMBOL

FFA/FFA

Mr. O. N. Miller
Director and Chairman
of the Board
Standard Oil of California
225 West 4th St.

no incoming mail

no incoming mail

25 FEB 1974

Mr. B. R. Dorsey
Director, President and
Chief Executive Officer
Gulf Oil Corporation
Gulf Building
Pittsburgh, Pennsylvania 15222

25 FEB 1974

25 FEB

Mr. Maurice F. Granville
Chairman of the Board and
Chief Executive Officer
Texaco, Inc.
135 East 42nd Street
New York, New York 10017

Dear Mr. Granville:

I cannot emphasize too strongly
over the consequences of negotiation
of Middle East oil if their outcome is
unreasonably high costs to consumers.

I am sure that you are equally
expressed in the Congress and
of government to be an effective
interest in such matters; you are
being given the strengthening
by members of the Senate and House.

It is with these concerns
I am asking others, to consult with
conclusion of new 1974 agreements
and volume levels.

25 FEB

Mr. Rawleigh Werner, Jr.
Director, Chairman of the Board
and Chairman of the Executive
Mobil Oil Corporation
150 East 42nd Street
New York, New York 10017

Dear Mr. Werner:

I cannot emphasize too strongly
over the consequences of negotiation
Middle East oil if their outcome is
unreasonably high costs to consumers.

I am sure that you are equally
expressed in the Congress and
of government to be an effective
national interest in such matters.

Mr. J. K. Jamieson
Director, Chairman, and
Chief Executive Officer,
3 Rockefeller Plaza
New York, New York 10020

Dear Mr. Jamieson:

I cannot emphasize too strongly
over the consequences of negotiation
of Middle East oil if their outcome is
unreasonably high costs to consumers.

I am sure that you are equally
expressed in the Congress and
inability of government to
the national interest in
the thought being given to
role expressed by members.

It is with these concerns
I am asking others, to consult with
conclusion of new 1974 agreements
and volume levels.

mind

Mr. Gordon Ahalt
Chase Manhattan Bank
New York, New York

Dear Mr. Ahalt:

My sincere apologies for the failure to respond to your thoughtful telegram of January 8th. As a matter of fact, the concern you express over the consequences to LDCs of the high prices is very widely shared. It was mentioned repeatedly in the just-concluded Washington Energy Conference.

Sincerely yours,

SIGNED/WILLIAM E. SIMON

William E. Simon
Administrator

IEA Conant, MA:mfg Rm 7214 Columbia Plaza 634-6023 2/16/74

cc: IEA file
IEA chron
Conant file
Conant chron
Simon chron ✓
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AE (2 cyp)

27 FEB 1974

2/26 to Sullivan
for Simon sig

2/27 dispatched

FEA-Cong

Honorable Jack Brinkley
House of Representatives
Washington, D.C. 20515

Dear Mr. Brinkley:

This is in response to your letter of January 31, 1974, on behalf of your constituent Jordan Carpet Yarns, regarding the regulations for allocation of petrochemical feedstocks. We are cognizant of the problems being experienced in the petrochemical industry and can appreciate your concern in the matter.

Two positive actions have been taken in the past month to increase the supply of petroleum into the petrochemical industry and thus increase the manufacture of petrochemicals. A petrochemical feedstock allocation program was initiated January 15, 1974, and relaxation of price controls on various petroleum feedstocks was announced on January 30, 1974. The relaxation of price controls applies to all basic petroleum feedstocks used by the petrochemical industry. The allocation program applies only to certain petroleum products authorized for control by the Emergency Petroleum Act of 1973.

The Emergency Petroleum Allocation Act of 1973 which was recently enacted by Congress mentioned or referred to the petrochemical sector of the petroleum industry in two instances. The intent of the Act was clearly to provide enough petroleum feedstocks for the industry to remain competitive and economically viable. However, the authority to allocate which was granted to the President pursuant to the Act, extends only to crude oil, refined petroleum products, and residual fuel oil. Thus, there are no statutory provisions that we are aware of to allocate petrochemical products, resins, plastics, etc. Only in those instances where crude oil or refined petroleum products are the feedstocks to a petrochemical manufacturer or fabrication of consumer products does the FEO have authority to provide an allocation.